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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
California Housing Finance Agency
Sacramento, California

We have audited the accompanying combined balance sheets of the California Housing Finance Fund (the "Fund"), which is administered by the California Housing Finance Agency (the "Agency"), a component unit of the State of California, as of June 30, 2010 and 2009, and the related combined statements of revenue, expenses, and changes in fund equity, and of cash flows for the years then ended. The accompanying combined financial statements of the Fund are not intended to present the financial position or the results of the operations of the Agency. These combined financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Fund, as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the combined financial statements, the Fund adopted Governmental Accounting Standards Board ("GASB") No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as of July 2009.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the combined financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Agency. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information, and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental combining program information as of and for the year ended June 30, 2010, on pages 47 through 67 is presented for the purpose of additional analysis and is not a required part of the combined 2010 financial statements of the Fund. The supplemental combining program information is the responsibility of the Agency's management. Such information has been subjected to the auditing procedures applied in our audits of the combined 2010 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2010 financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2010, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Deloitte + Touche LLP

October 28, 2010

CALIFORNIA HOUSING FINANCE FUND
Management Discussion and Analysis
of Financial Position and Results of Operations
As of and for the fiscal years ended June 2010 and 2009

Introduction – The California Housing Finance Agency

The California Housing Finance Agency ("Agency") was created in 1975 by an act of the California Legislature and commenced operations in 1976. The Agency is a component unit of the State of California ("State") and is included in the State's Comprehensive Annual Financial Report. The Agency is authorized to administer the activities of the California Housing Finance Fund ("Fund"), the California Housing Loan Insurance Fund ("Mortgage Insurance Fund") and two state general obligation bond funds. The following Management Discussion and Analysis applies only to the activities of the California Housing Finance Fund and should be read in conjunction with the Fund's combined financial statements and the notes to the combined financial statements. Operations of the Fund include the issuance of Agency bonds and notes to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency is entirely self-funded and does not draw upon the general taxing authority of the State.

The combined financial statements present the totals of the Fund. The supplemental combining information of the Fund is organized by the following major categories: Homeownership Programs, Multifamily Rental Housing Programs, and Other Programs and Accounts. This information and information for specific programs and accounts is reported after the Notes to the combined financial statements.

The Homeownership Programs provide low cost mortgage capital to a network of approved lenders from whom the Agency purchases previously funded and closed loans secured by single family homes purchased by individual borrowers. The Multifamily Rental Housing Programs are typically used to directly fund loans to developers and housing sponsors for the construction or acquisition of multifamily rental housing developments. Interest rates on Agency loans are generally below market rate; however, the programs are operated to be self-supporting. The Agency issues its own bonds and uses other available monies to provide the funding for these loan programs. Interest paid to bondholders is generally exempt from both state and federal tax; however, the Agency also issues federally-taxable bonds.

The Other Programs and Accounts category includes the Agency's Housing Assistance Trust, funded periodically from a portion of the Fund's operating income before transfers. The Housing Assistance Trust provides a source of funding for low or very low income multifamily developments and other special purpose loans. Loans for these purposes generally would not produce sufficient revenues to support payments to bondholders. These loans typically accrue simple interest with repayment of principal and interest deferred for the term of the loan or until certain events occur, such as a sale of the property. Also included in this category are certain State-funded programs, which the Agency has been asked to administer for the State on a contract basis. Operating expenses of the Agency's loan and bond programs are paid from an Operating Account that is replenished from the Fund's operating income before transfers. Other accounts maintained by the Agency provide security for the issuance of bonds, emergency contingencies, loan servicing operations and loan warehousing activities.

Summary of Financial Results 2010-2009

- Operating loss before transfers was $188.5 million for fiscal year 2010 compared to an operating loss of $146.1 million for fiscal year 2009. The decrease is mostly due to the decline of the California real estate market, basis mismatch on variable rate bonds and the charges against income for the market value adjustment of unmatched swaps, early termination of interest rate swaps, gap claim payments and anticipated losses of the loan portfolio. The continued rise in loan delinquencies, increases in foreclosures and additional home price depreciation in California have contributed directly to increases in allowances for loans losses and gap reserves. In 2010, the allowance for loan loss reserve was increased by a net of $4.7 million to $117.2 million. There were $16.4 million of losses which were recorded in 2010 on the sale of foreclosed properties (net of insurance payment). The remaining foreclosed properties were written down by $26.5 million to reflect anticipated losses, net of insurance payment, upon sale of the foreclosed properties. During the year, the Agency placed a limit on the future obligations of the Agency's general obligation capital in relation to the gap insurance reserve held in the Supplementary Bond Security Account ("SBSA"). The Fund established this reserve to cover anticipated indemnification payments to the California Housing Loan Insurance Fund for loans subject to "gap" insurance. The indemnification payments are for losses up to 50% of the outstanding principal balance of each loan for which either the primary mortgage insurance covers less than 50% of loan principal or primary mortgage insurance may not be required because the loan-to-value ratio was below 80% at origination or the borrower demonstrated equity of 20% or more in the property. Previously, the gap insurance loss reserves and gap claim payments were charged only to the SBSA, an account that is part of the Agency's general obligation capital base, not the Home Mortgage Revenue Bonds ("HMRB") Indenture. On March 25, 2010, the Agency established a cap of up to $135 million on the Agency's indemnification payments to the California Housing Loan Insurance Fund. Once the cap is reached in the SBSA account, the gap insurance loss reserves and gap claim payments will be charged to the HMRB indenture. As of June 30, 2010, a total of $55.8 million in gap claim payments were paid from fiscal years 2008 through 2010. The gap insurance loss reserve at June 30, 2010 was $118.8 million, of which $78.6 million was charged to the Supplementary Bond Security Account and $40.2 million was charged to the HMRB indenture.

- Home mortgage delinquencies and foreclosures have continued to rise nationally, especially for borrowers who took out subprime mortgages. Although the Agency does not make subprime loans, the overall delinquency ratio of the Agency's single family loan portfolio (Federal Guaranty: 30.7% and Conventional: 69.3%) was 17.1% or 4,706 loans as of June 30, 2010. By comparison, the delinquency ratio for the Agency's single family portfolio was 14% or 4,669 loans as of June 30, 2009. Overall, the total number of delinquent loans remained relatively the same. However, the increase in delinquency ratio can be attributed to the Agency's decision to pool 2,586 current Federal Housing Administration ("FHA") whole loans into Ginnie Mae ("GNMA") securities in March 2010. Subsequently, in April 2010, the Agency sold approximately $255.7 million of the $326.8 million in GNMA securities at a premium. The net premium on the sale of securities was $10 million. The sale of the GNMA securities immediately created liquidity for the Agency which was largely used to retire debt.

- In addition to losses attributable to the California real estate market, the Agency incurred losses due to basis mismatch, which is the difference between actual interest rates paid to bondholders on floating rate securities (variable rate demand obligations and auction rate securities) and the variable rates received from swap counterparties on interest rate swaps that hedge the Agency's variable rate exposure. The mismatch is a result of higher interest rate resets on variable rate bonds, including rates resulting from failed auctions and rates paid to liquidity banks when bondholders put their variable rate demand obligations to the remarketing agents and other investors are unwilling to purchase the securities. In addition, a dysfunctional municipal bond market resulted in an unusually high Securities Industry and Financial Markets Association "SIFMA"/London Interbank Offered Rate "LIBOR" ratio and interest rate compression has continued this relationship. The basis mismatch for the period from July 1, 2009 to June 30, 2010 was $18.4 million and is reflected in the income statements for Multifamily Rental Housing Programs and Other Programs and Accounts. By comparison, the basis mismatch for the period from July 1, 2008 to June 30, 2009 was $37.9 million. The decrease is primarily a result of the Agency's participation in the Federal Government's HFA initiative program - Temporary Credit and Liquidity Program "TCLP" which provides replacement credit and facilities for existing variable rate debt for State and local Housing Finance Agencies. The program helps reduce the cost of maintaining existing HFA financing and will expire in December 2012. The Agency replaced all of its liquidity facilities (principal balance of $3.49 billion) and eliminated the Agency's inventory of bank bonds.

- In July 2009, in response to rating agency requirements that the Agency have sufficient capital or liquidity available in the event of a two notch downgrade of the Agency's Issuer Credit Rating "ICR", the Agency terminated $237.8 million of swap notional with Citigroup Financial Products and Merrill Lynch and paid $39 million to terminate the swaps. Citigroup Financial Products was paid $12 million for the termination of $102.5 million of swap notional and Merrill was paid $27 million for the termination of $135.3 swap notional. At the same time, the Agency posted mortgage backed securities and cash in the amount of $18 million to JP Morgan Chase Bank as upfront collateral, and transferred all of the Bear Sterns swap contracts to the JP Morgan Chase Bank International Swap Derivative Agreement. The Agency received higher collateral thresholds from each bank serving as swap counterparty in exchange for terminating swap notional or posting immediate collateral.

- The Agency had $104.1 million in new loans receivable during fiscal year 2010. Overall, program loans receivable decreased by close to $1.18 billion at fiscal year end. Decreases in programs loans receivable for the homeownership loan portfolio were primarily due to the securitization of 2,586 FHA whole loans into GNMA Mae securities, increases in loan prepayments and decrease in new loans receivable from the previous year.

- During fiscal year 2010, the Agency issued $1.4 billion of bonds. The bonds were issued as variable rate debt and all but $1.4 million was placed into an escrow account as part of the Federal Government's HFA initiative program – New Issue Bond Program ("NIBP"). While held in the escrow account, the rate is variable and the bonds will convert to fixed rate debt upon release from escrow. Under NIBP, the Agency issued close to $1.4 billion of Program Bonds with both a taxable and tax-exempt component under two new indentures, Residential Mortgage Revenue Bonds ("RMRB") and Affordable Multifamily Housing Revenue Bonds ("AMHRB"). Under the RMRB indenture, the Agency expects to use the proceeds of the bonds to purchase mortgage-back securities backed by underlying loans that have been originated by Agency lenders. The mortgage-backed securities will be guaranteed by Fannie Mae, Freddie Mac or GNMA. Under the AMHRB indenture, the Agency issued bonds to finance the purchase of GNMA Mae mortgage-back securities, the proceeds of which are used to finance the construction, acquisition or development of affordable rental housing developments.

- The Agency continued to actively manage the Fund's interest expense and exposures within the debt portfolio and redeemed $607.2 million of bonds during fiscal year 2010.

- During fiscal year 2010, $14.4 million was transferred into the Fund by the State pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002 and Mental Health Services Act of 2004. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.

- In April 2010, Moody's Investors Services downgraded the rating on the Agency's HMRB from Aa3 to A3 and remains on watch for possible downgrade. The downgrade reflects a combination of factors including the severe deterioration of the California housing market, significant increases in delinquencies and foreclosures of HMRB loans, the Agency's recent decision to limit CalHFA's indemnification of the California Housing Loan Insurance Fund, and changes in the credit profile of providers of private mortgage insurance.

- In April 2010, Standard and Poor's Ratings Services ("S&P") lowered its rating and underlying rating to A from AA- on the Agency's bonds issued under the HMRB indenture and the ratings remained on credit watch. The lowered ratings reflect S&P's opinion of a loan portfolio of moderate to high risk, the weak California housing market, and financial challenges facing the Agency resulting from the significant use of variable-rate debt and swaps. In May 2010, S&P affirmed its A rating and underlying rating on the bonds and removed the HMRB indenture from credit watch. The outlook was changed to negative.

- In April 2010, S&P lowered CalHFA's issuer credit rating to A from AA- and lowered the long-term rating and underlying rating on CalHFA's outstanding general obligation debt to A from AA- with outlook negative. The rating actions reflect S&P's opinion of the following factors: a significant decline in CalHFA's profitability and unrestricted fund balance due to large operating losses, the weak California housing market, financial challenges facing the Agency resulting from the significant use of variable-rate debt and swaps, and challenges in providing affordable housing financing in a low-interest rate environment. These factors are partially offset with S&P's opinion of the Agency's effectiveness in accomplishing its mission in a high-cost real estate market and seasoned and proactive financial management.

- In July 2010, Moody's placed the A1 issuer credit rating of the Agency under review for possible downgrade. The action is based on the potential effects of continuing high levels of delinquencies and foreclosures on single family mortgage loans, stresses related to the Agency's variable rate debt and interest rate swaps, short-term borrowing and other factors that may have negative effects on the Agency's capital resources, profitability and liquidity.

- In February 2010, the U.S. Treasury Department announced nearly $700 million in federal funding under the Housing Finance Agency Hardest-Hit Fund Program ("HHF") to help California families hit hard by the economic and housing market downturn. The program objectives will include preserving homeownership for low and moderate income homeowners in California by reducing the number of delinquencies, preventing avoidable foreclosures and assisting in the stabilization of California communities. The Agency intends to participate in the program.

Condensed Financial Information:

Combined Balance Sheet

The following table presents condensed combined balance sheets for the Fund as of June 30, 2010 and 2009 and the change from the prior year (dollars in millions):

	2010	2009	Change
Assets			
Cash and investments	$3,784	$2,236	1,548
Program loans receivable-net	7,144	8,321	(1,177)
Other	635	204	431
Total Assets	$11,563	$10,761	802
Liabilities			
Bonds payable – net	$8,906	$8,244	662
Notes payable	94	0	94
Other	1,009	770	239
Total Liabilities	$10,009	$9,014	995
Fund Equity			
Invested in capital assets	$1	$1	
Restricted equity	1,553	1,746	(193)
Total Fund Equity	$1,554	$1,747	(193)
Total Liabilities and Fund Equity	$11,563	$10,761	802

Assets

Of the Fund's assets, 94.5% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding less than $0.9 million in furniture and equipment.

Total assets increased by $802.1 million during fiscal year 2010. The Fund's cash and investments were $3.78 billion as of June 30, 2010, an increase of $1.55 billion from June 30, 2009. The cash and investments balance increase was primarily a result of the Agency's participation in NIBP during the fiscal year. Under this program, the Agency issued $1.4 billion in new housing bonds to fund new mortgages and the bond proceeds are currently being invested in a global escrow investment comprised of four AAA rated money market funds.

Of the Fund's assets, 32.7% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 14.7% is in investment agreements. The amount of funds invested in investment agreements during the 2010 fiscal year increased by $69.8 million. In addition, $1.69 billion of the Fund's investments are held in the State's Surplus Money Investment Fund "SMIF" and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2010 increased by $48.8 million.

The composition of cash and investments as of June 30, 2010 and 2009 and the changes from the prior year are shown in the table below (dollars in millions):

Cash and Investments

	2010	2009	Change
Investment agreements	$303	$234	69
SMIF	1,687	1,638	49
Securities	282	245	37
Cash	1,512	119	1,393
Total Cash and Investments	$3,784	$2,236	1,548

Program loans receivable decreased by $1.18 billion during fiscal year 2010 compared to fiscal year 2009. This decrease is primarily due to the large decrease in the number of new loans for the homeownership loan portfolio, the Agency's decision to pool of 2,586 current FHA loans into GNMA securities ($326.8 million) along with an increase in loan prepayments in fiscal year 2010. Loan prepayments increased to $441.8 million during fiscal year 2010 compared to $176.4 million received in fiscal year 2009. Real estate owned ("REO") properties increased to $200.6 million during fiscal year 2010 compared to $95.7 million in fiscal year 2009.

For the fiscal year ended June 30, 2010, the Agency adopted Governmental Accounting Standards Board Statement ("GASB") No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 requires the reporting of derivative instruments at fair value. The Agency's interest rate swaps, which were primarily used to hedge changes in cash flows, are considered to be derivative instruments under GASB 53. GASB 53 requires the fair value of a derivative to be reported as of the end of the fiscal year in the balance sheet. However, annual changes in the fair value of a hedging derivative instrument are required to be deferred – reported as deferred inflows and deferred outflows on the balance sheet. As of June 30, 2010 and June 30, 2009, the fair value of interest rate swaps were in the negative position of $329.4 million and $273.5 million, respectively. The cumulative effect from the adoption of GASB 53 and the annual change in fair value at June 30, 2010, have been recorded in the deferred outflow of resources account, derivative swap liability account and as an adjustment to beginning year fund equity balance. Since the Agency is not restating the prior year comparative financials, the beginning year fund equity balance has been adjusted by $19.3 million to show the cumulative effect of GASB 53 for prior years. For interest rate swaps associated with or redesignated to another bond series, the Agency recorded an adjustment to beginning fund equity and established a borrowing payable for the same amount. The borrowing payable will be amortized over the remaining life of the interest rate swap.

Other Assets increased by $431.5 million during fiscal year 2010 compared to fiscal year 2009. The increase is primarily due to the Agency's adoption of GASB 53, increase in the REO properties, and increase cash collateral held by swap counterparties.

Liabilities

The Fund's liabilities were $10.01 billion as of June 30, 2010, an increase of $1 billion from June 30, 2009. Of the Fund's liabilities, over 89% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2010 increased by $662.2 million from the prior year as the $1.4 billion in new issuances in 2010 were offset by scheduled principal payments and $607.2 million in bond redemptions. The Agency's governing statutes impose a cap of $13.15 billion for bonds and notes issued and outstanding within the Fund.

All of the bonds issued by the Agency are reported within the Fund. The Agency issued a total of $1.4 billion of Agency bonds during fiscal year 2010, an increase from $310.9 million issued during fiscal year 2009. During fiscal year 2010, the Agency issued only variable rate debt and all but $1.4 million of bond proceeds were placed into an escrow account under NIBP. During the escrow period, the interest rate is variable. Upon release from escrow, the bonds will bear a rate of 3.49% plus a spread of 60-75 basis points. This rate was locked on December 18, 2009.

The Agency issues both tax-exempt and federally taxable bonds. During the 2010 fiscal year, federally taxable bonds increased by $1.17 billion and as of June 30, 2010 represent 31.6% of all bonds outstanding, while tax-exempt bonds decreased by $486.7 million and as of June 30, 2010 represent 68.4% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2010, the Agency issued $1.28 billion of taxable bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2010 and 2009 and the changes from the prior year (dollars in millions):

Bonds Payable

	2010	2009	Change
Tax-Exempt Bonds			
*Variable Rate	$3,568	$3,887	(319)
Fixed Rate	2,518	2,686	(168)
Total Tax-Exempt Bonds	$6,086	$6,573	(487)
Federally Taxable Bonds			
*Variable Rate	$2,371	$1,167	1,204
Fixed Rate	438	469	(31)
Total Federally Taxable Bonds	$2,809	$1,636	1,173
Total Bonds Outstanding	$8,895	$8,209	686

* Certain variable rate bonds have been swapped to a fixed rate (see Note 7 to the Combined Financial Statements).

All other liabilities increased by $309.5 million during fiscal year 2010. The increase was primarily due to the recording of the fair value of derivatives for GASB 53, increase to the gap insurance loss reserves, increase to the revolving line of credit payable and decrease to the Pooled Money Investment Account loan payable.

Equity

All of the Fund's equity is restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or invested in capital assets. Total equity of the Fund decreased by $193.5 million primarily as a result of transfers to the Fund in the amount of $14.4 million pursuant to the Mental Health Services Act of 2004 and Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006 and was offset by operating losses of the Fund in the amount of $188.5 million and the restatement of the Fund equity at the beginning of the year from $1.75 billion to $1.73 billion, which represents the cumulative effect on equity from the adoption of GASB 53 during fiscal year 2010.

Revenues, Expenses, and Changes in Fund Equity

The following table presents condensed combined statements of revenues, expenses, and changes in fund equity for the Fund for the fiscal years ended June 30, 2010 and June 30, 2009 and the changes from the prior year (dollars in millions):

Condensed Combined Statements of Revenues, Expenses, and Changes in Fund Equity

	2010	2009	Change
Operating Revenues:			
Interest income program loans – net	$393	$450	(57)
Interest income investments – net	40	66	(26)
Increase in fair value of investments	19	11	8
Other loan and commitment fees	29	16	13
Other revenues	49	107	(58)
Total Operating Revenues	$530	$650	(120)
Operating Expenses:			
Interest	$318	$427	(109)
Mortgage servicing fees	16	20	(4)
Operating expenses	93	40	53
Other expenses	291	309	(18)
Total Operating Expenses	$718	$796	(78)
Operating Income before transfers	(188)	(146)	(42)

Operating Revenues

Total operating revenues of the Fund were $530 million during fiscal year 2010 compared to $650.1 million during fiscal year 2009, a decrease of $120.1 million or 18.5%.

Interest income on program loans was $393 million during fiscal year 2010 compared to $449.5 million during fiscal year 2009, a decrease of $56.5 million. The decrease in interest income on program loans is primary a result of a decrease in interest income on program loans and a net increase in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios. Overall, program loans receivable decreased $1.18 billion or 14.1% at June 30, 2010 compared to June 30, 2009.

Interest income from investments decreased 39.3% to $40.2 million in fiscal year 2010 from $66.3 million in fiscal year 2009. This decrease is due primarily to declining interest rates for SMIF.

Other loan and commitment fees increased $12.8 million to $29.1 million in fiscal year 2010 compared to $16.3 million for fiscal year 2009. The increase was primarily due to the reinstatement of administrative fees in the HMRB indenture.

Other revenues decreased by $58.2 million to $48.8 million during fiscal year 2010 compared to $106.9 million in fiscal year 2009. The decrease was primarily due to the implementation of GASB 53 and the result of not incurring a gain on termination of swaps in fiscal year 2010.

Operating Expenses

Total operating expenses of the Fund were $718.6 million during fiscal year 2010 compared to $796.2 million during fiscal year 2009, a decrease of $77.6 million or 9.8%. The decrease is primarily due to the decrease in interest and swap expenses, decrease in loan write-off expenses, decrease in swap termination expenses offset by increases in administrative fees expense, liquidity provider fees expense and foreclosed properties expenses.

Bonds payable at June 30, 2010 increased by $662.2 billion from June 30, 2009 and bond interest and swap expense, which represents 44.3% of the Fund's total operating expenses, decreased by $109.3 million or 25.6% compared to fiscal year 2009. The decrease in bond interest and swap expense is attributed to the Agency's participation in the TCLP which provides replacement credit and facilities for existing variable rate debt for State and local Housing Finance Agencies.

Operating expenses increased from $39.7 million during fiscal year 2009 to $42.5 million during fiscal year 2010 (as shown in the condensed combined statements of revenues, expenses and changes in fund equity), resulting from an increase in general expenses offset by a slight decrease in staff salary expenses during fiscal year 2010.

Operating Income before Transfers

Operating loss before transfers for fiscal year 2010 was $188.5 million compared to an operating loss of $146.1 million for fiscal year 2009. The $42.5 million decrease in operating income before transfers is reflective of the activities mentioned above.

Summary of Financial Results 2009– 2008

- Operating loss before transfers was $146.1 million for fiscal year 2009 compared to an operating gain of $9.8 million for fiscal year 2008. The decrease is mostly due to the decline of the California real estate market, basis mismatch on variable rate bonds and the charges against income for the market value adjustment of unmatched swaps, early termination of interest rate swaps, gap claim payments and anticipated losses of the loan portfolio. The continued rise in loan delinquencies, increases in foreclosures and additional home price depreciation in California have contributed directly to increases in allowances for loans losses and gap reserves. In 2009, the allowance for loan loss reserve was increased by a net of $31.5 million to $112.5 million. There were $4.1 million of losses which were recorded in 2009 on the sale of foreclosed properties (net of insurance payment). The remaining foreclosed properties were written down by $15.1 million to reflect anticipated losses, net of insurance payment, upon sale of the foreclosed properties. In addition, the Agency maintains its Emergency Reserve Account at approximately one percent of the net program loans receivable and has established a gap insurance loss reserve in the amount of $80.1 million. The Fund established this reserve to cover anticipated indemnification payments to the California Housing Loan Insurance Fund for loans subject to "gap" insurance. The indemnification payments are for losses up to 50% of the outstanding principal balance of each loan for which either the primary mortgage insurance covers less than 50% of loan principal or primary mortgage insurance may not be required because the loan-to-value ratio was below 80% at origination or the borrower demonstrated equity of 20% or more in the property. The gap insurance loss reserves and gap claim payments are charged to the Supplementary Bond Security Account, an account that is part of the Agency's general obligation capital base, not the Home Mortgage Revenue Bonds "HMRB" Indenture.

- Home mortgage delinquencies have been increasing nationally, especially for borrowers who took out subprime mortgages. Although the Agency does not make subprime loans, the overall delinquency ratio of the Agency's single family loan portfolio (Federal Guaranty: 47.2% and Conventional: 52.8%) was 14% as of June 30, 2009. By comparison, the delinquency ratio for the Agency's single family portfolio was 7% as of June 30, 2008.

- In addition to losses attributable to the California real estate market, the Agency incurred losses due to basis mismatch, which is the difference between actual interest rates paid to bondholders on floating rate securities (variable rate demand obligations and auction rate securities) and the variable rates received from swap counterparties on interest rate swaps that hedge the Agency's variable rate exposure. The mismatch is a result of higher interest rate resets on variable rate bonds, including rates resulting from failed auctions and rates paid to liquidity banks when bondholders put their variable rate demand obligations to the remarketing agents and other investors are unwilling to purchase the securities. In addition, a dysfunctional municipal bond market resulted in an unusually high Securities Industry and Financial Markets Association "SIFMA"/London Interbank Offered Rate "LIBOR" ratio and interest rate compression has continued this relationship. The basis mismatch for the period from July 1, 2008 to June 30, 2009 was $37.9 million and is reflected in the income statements for Multifamily Rental Housing Programs and Other Programs and Accounts. By comparison, the basis mismatch for the period from July 1, 2007 to June 30, 2008 was $11.9 million.

- In response to Lehman Brothers' bankruptcy filing, the Agency terminated all $482.7 million of swap notional with Lehman Brothers and paid Lehman Brothers $42.6 million to terminate the swaps. At the same time, the Agency elected to replace some of the Lehman Brothers swap contracts with counterparties that are more highly rated. The Agency received payments of $28.9 million from the replacement counterparties. The net effect of the termination event resulting from the Lehman Brothers' bankruptcy was an operating loss of $13.7 million. In addition, GAAP requires the Agency to record the current market value of the unmatched portion or overhedged interest rate swap position as an adjustment to other expenses or other revenues, on the income statement. The swap expense (net current market value) for these overhedged positions as of June 30, 2009 was $9.4 million.

- The Agency had $496.4 million in new loans receivable during fiscal year 2009. Overall, program loans receivable decreased $113.5 million to $8.32 billion at fiscal year end. Decreases in programs loans receivable for the homeownership loan portfolio were the result of the decline of the California real estate market and declining economic conditions.

- During fiscal year 2009, the Agency issued $310.9 million of bonds. All but $10.9 million was issued as fixed rate debt and the $10.9 million of variable rate debt issued was synthetically swapped to fixed.

- The Agency continued to actively manage the Fund's interest expense and exposures within the debt portfolio, redeeming, and in some cases refunding, $564.7 million of bond indebtedness during fiscal year 2009.

- During fiscal year 2009, $448.4 million was transferred into the Fund by the State pursuant to the Mental Health Services Act of 2004 and Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.

- In July 2009, Moody's Investors Services downgraded the Agency's Home Mortgage Revenue Bonds "HMRB" from Aa2 to Aa3 with a negative outlook. The downgrade reflects the decline in the performance of the Agency's single family loan portfolio in the California real estate market, reduced credit quality of private mortgage insurance and ongoing risks related to the HMRB variable rate debt.

- In July 2009, Moody's Investors Services downgraded the Agency's issuer rating from Aa3 to A1with a negative outlook. The downgrade is based upon the potential effects of increasing delinquencies and foreclosures in the Agency's single family mortgage portfolio, ongoing risks related the Agency's variable rate debt and uncertainty about future business activity given the status of tax exempt housing bond markets.

Condensed Financial Information:

Combined Balance Sheet

The following table presents condensed combined balance sheets for the Fund as of June 30, 2009 and 2008 and the change from the prior year (dollars in millions):

Condensed Combined Balance Sheets

	2009	2008	Change
Assets			
Cash and investments	$2,236	$2,278	(42)
Program loans receivable-net	8,321	8,434	(113)
Other	204	156	48
Total Assets	$10,761	$10,868	(107)
Liabilities			
Bonds payable – net	$8,244	$8,618	(374)
Other	770	805	(35)
Total Liabilities	$9,014	$9,423	(409)
Fund Equity			
Invested in capital assets	$1	$1	
Restricted equity	1,746	1,444	302
Total Fund Equity	$1,747	$1,445	302
Total Liabilities and Fund Equity	$10,761	$10,868	(107)

Assets

Of the Fund's assets, 98.1% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding less than $0.7 million in furniture and equipment.

Total assets decreased by $107.4 million during fiscal year 2009. The Fund's cash and investments were $2.24 billion as of June 30, 2009, a decrease of $42.1 million from June 30, 2008. The cash and investments balance remained relatively the same due to the decrease in bond activity during the fiscal year.

Of the Fund's assets, 20.8% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 11.4% is in investment agreements. Consistent with the Agency's investment policy, bond proceeds are normally invested in investment agreements with highly rated providers of such instruments because the agreements provide a low level of counterparty risk, a fixed rate of return and complete liquidity. The amount of funds invested in investment agreements during the 2009 fiscal year decreased by $251.0 million. In addition, over $1.64 billion of the Fund's investments are held in the State's Surplus Money Investment Fund "SMIF" and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2009 increased by $228.7 million.

The composition of cash and investments as of June 30, 2009 and 2008 and the changes from the prior year are shown in the table below (dollars in millions):

Cash and Investments

	2009	2008	Change
Investment agreements	$234	$485	(251)
SMIF	1,638	1,409	229
Securities	245	219	26
Cash	119	165	(46)
Total Cash and Investments	$2,236	$2,278	(42)

Program loans receivable decreased by $113.5 million or 1.4% during fiscal year 2009 compared to fiscal year 2008. This decrease is due primarily to the decrease in the number of new loans for the homeownership loan portfolio. Within the Fund, the Agency had $496.4 million of new loans during the fiscal year compared to almost $1.43 billion in the previous year. Of the new loans during the fiscal year, $379.6 million were single family first mortgages. Fewer borrowers refinanced their Agency loans resulting in a 5.0% decrease in loan prepayments to $176.4 million during fiscal year 2009 compared to $185.6 million received in fiscal year 2008. The Agency does not offer home refinance opportunities to its borrowers as the homeownership loan programs are restricted to first time homebuyers.

Liabilities

The Fund's liabilities were $9.01 billion as of June 30, 2009, a decrease of $409.8 million from June 30, 2008. Of the Fund's liabilities, over 91.5% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2009 decreased by $373.3 million from the prior year as the $310.9 million in new issuances in 2009 were offset by scheduled principal payments and $564.7 million in bond redemptions. The Agency's governing statutes impose a cap of $13.15 billion for bonds and notes issued and outstanding within the Fund.

All of the bonds issued by the Agency are reported within the Fund. The Agency issued a total of $310.9 million of Agency bonds during fiscal year 2009, a decrease from the $1.86 billion issued during fiscal year 2008. Of the bonds issued during fiscal year 2009, all but $10.9 million were issued as fixed interest rate bonds, and the $10.9 million of variable rate debt issued was swapped to provide synthetically fixed interest rates. As of June 30, 2009, the estimated "net" variable interest rate exposure of the Fund's total bond indebtedness was $938 million. The estimated "net' variable interest rate exposure excludes all variable interest rate bonds swapped to fixed interest rates or directly backed by complementary variable interest rate assets. This "net" variable interest rate exposure provides an internal hedge against today's low interest rate environment evidenced by low short-term investment rates and increased loan prepayments. Interest costs on variable interest rate bonds that are swapped to a fixed interest rate have generally provided a lower total interest cost to the Fund than interest costs of traditional fixed interest rate products.

The Agency issues both tax-exempt and federally taxable bonds. During the 2009 fiscal year, federally taxable bonds decreased by $216.1 million and as of June 30, 2009 represent 19.9% of all bonds outstanding, while tax-exempt bonds decreased by $157.2 million and as of June 30, 2009 represent 80.1% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2009, the Agency did not issue taxable bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2009 and 2008 and the changes from the prior year (dollars in millions):

Bonds Payable

	2009	2008	Change
Tax-Exempt Bonds			
*Variable Rate	$3,887	$4,321	(434)
Fixed Rate	2,686	2,409	277
Total Tax-Exempt Bonds	$6,573	$6,730	(157)
Federally Taxable Bonds			
*Variable Rate	$1,167	$1,280	(113)
Fixed Rate	469	572	(103)
Total Federally Taxable Bonds	$1,636	$1,852	(216)
* * Total Bonds Outstanding	$8,209	$8,582	(373)

* Certain variable rate bonds have been swapped to a fixed rate (see Note 7 to the Combined Financial Statements).
* * The HUD debenture is not included (see Note 7 to the Combined Financial Statements).

Other liabilities decreased by $35.8 million during fiscal year 2009. This decrease is due primarily to the decrease in the line of credit for the purchase of loans offset by the increase in gap insurance loss reserves.

Equity

All of the Fund's equity is restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or invested in capital assets. Total equity of the Fund grew by $302.3 million primarily as a result of transfers to the Fund in the amount of $448.4 million pursuant to the Mental Health Services Act of 2004 and Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006 and was offset by operating losses of the Fund in the amount of $146.1 million.

Revenues, Expenses, and Changes in Fund Equity

The following table presents condensed combined statements of revenues, expenses, and changes in fund equity for the Fund for the fiscal years ended June 30, 2009 and June 30, 2008 and the changes from the prior year (dollars in millions):

Condensed Combined Statements of Revenues, Expenses, and Changes in Fund Equity

	2009	2008	Change
Operating Revenues:			
Interest income program loans – net	$450	$400	$50
Interest income investments – net	66	91	(25)
Increase in fair value of investments	11	(4)	15
Other loan and commitment fees	16	16	0
Other revenues	107	78	29
Total Operating Revenues	$650	$581	$69
Operating Expenses:			
Interest	427	392	35
Mortgage servicing fees	20	19	1
Operating expenses	40	39	1
Other expenses	309	121	188
Total Operating Expenses	$796	$571	$225
Operating Income before transfers	(146)	10	(156)

Operating Revenues

Total operating revenues of the Fund were $650.1 million during fiscal year 2009 compared to $581.1 million during fiscal year 2008, an increase of $69.1 million or 11.9%.

Interest income on program loans was $449.5 million during fiscal year 2009 compared to $399.9 million during fiscal year 2008, an increase of $49.6 million. The increase in interest income on program loans is primary a result of a decrease in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios which is offset against the interest income on program loans. Overall, program loans receivable decreased $113.5 million or 1.4% at June 30, 2009 compared to June 30, 2008.

Interest income from investments decreased 26.9% to $66.3 million in fiscal year 2009 from $90.7 million in fiscal year 2008. This decrease is due primarily to declining interest rates and redirecting funds from investment agreements to SMIF.

Other loan and commitment fees remained the same at $16.3 million for fiscal year 2009 when compared to fiscal year 2008.

Other revenues increased by $28.3 million to $106.9 million during fiscal year 2009 compared to $78.6 million in fiscal year 2008, primarily due to the gain on termination of interest rate swaps in November 2008.

Operating Expenses

Total operating expenses of the Fund were $796.2 million during fiscal year 2009 compared to $571.3 million during fiscal year 2008, an increase of $224.9 million or 39.4%. The increase is primarily due to the increase in gap insurance loss reserve expenses, gap claim payments expense, loan write-off expenses, foreclosed properties expenses, swap expense (fair value), and swap termination expenses.

Bonds payable at June 30, 2009 decreased by $374.0 million from June 30, 2008 and bond interest and swap expense, which represents 53.7% of the Fund's total operating expenses, increased by $34.7 million or 8.8% compared to fiscal year 2008. The increase in bond interest and swap expense is attributed to the overall drop in interest rates requiring higher swap payments to our counterparties.

Operating expenses increased from $38.9 million during fiscal year 2008 to $39.7 million during fiscal year 2009 (as shown in the condensed combined statements of revenues, expenses and changes in fund equity), resulting from slight increases in staff salary expenses and expenses to support our Agency programs.

Operating Income before Transfers

The overall operating results of the Fund for fiscal year 2009 are reflective of the activity in the operating revenues and expenses discussed above. Operating loss before transfers for fiscal year 2009 was $146.1 million compared to an operating gain of $9.8 million for fiscal year 2008. The $155.8 million decrease in operating income before transfers is primarily due to increase in bond and swap related expenses, provision for estimated loan losses, gap insurance loss reserve expenses, and gap claim payment expenses.

CALIFORNIA HOUSING FINANCE FUND
COMBINED BALANCE SHEETS
June 30, 2010 and June 30, 2009
(Dollars in Thousands)

	2010 Combined Totals	2009 Combined Totals
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,512,415	$ 119,128
Investments	2,061,589	1,875,314
Current portion - program loans receivable, net of allowance	253,749	307,512
Interest receivable:		
Program loans, net	35,408	37,095
Investments	7,861	11,791
Accounts receivable	28,782	20,048
Other assets	34,001	651
Total current assets	3,933,805	2,371,539
Noncurrent assets:		
Investments	209,728	241,648
Program loans receivable, net of allowance	6,890,719	8,013,055
Deferred financing costs	34,156	38,343
Other assets and deferred outflow	494,593	96,475
Total noncurrent assets	7,629,196	8,389,521
Total assets	$ 11,563,001	$ 10,761,060
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Current portion - bonds payable, net	$ 158,969	$ 136,370
Interest payable	123,211	163,574
Due to other government entities, net	97,748	255,219
Compensated absences	4,358	2,317
Deposits and other liabilities	393,464	298,899
Total current liabilities	777,750	856,379
Noncurrent liabilities:		
Bonds and debenture notes payable, net	8,840,703	8,107,250
Due to other government entities, net	19,388	19,431
Other liabilities and deferred inflow	342,016	-
Deferred revenues	29,161	30,532
Total noncurrent liabilities	9,231,268	8,157,213
Total liabilities	10,009,018	9,013,592
Commitments and contingencies (see notes 11 and 13)		
Fund equity:		
Invested in capital assets	866	806
Restricted by indenture	430,948	534,440
Restricted by statute	1,122,169	1,212,222
Total fund equity	1,553,983	1,747,468
Total liabilities and fund equity	$ 11,563,001	$ 10,761,060

See notes to combined financial statements.

CALIFORNIA HOUSING FINANCE FUND
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
June 30, 2010 and June 30, 2009
(Dollars in Thousands)

	2010 Combined Totals	2009 Combined Totals
OPERATING REVENUES		
Interest income:		
Program loans, net	$ 392,990	$ 449,486
Investments, net	40,222	66,314
Increase (decrease) in fair value of investments	18,894	11,033
Loan commitment fees	1,273	2,207
Other loan fees	27,845	14,130
Other revenues	48,797	106,950
Total operating revenues	530,021	650,120
OPERATING EXPENSES		
Interest	318,021	427,297
Amortization of bond premium and deferred losses on refundings of debt	(611)	(461)
Mortgage servicing expenses	16,477	19,573
Provision for program loan losses	51,533	57,221
Operating expenses	42,536	39,773
Other expenses	290,603	252,786
Total operating expenses	718,559	796,189
Operating income/(loss) before transfers	(188,538)	(146,069)
Transfers, interfund	14,350	448,433
Increase in fund equity	(174,188)	302,364
Fund equity at beginning of year, as originally stated	1,747,468	1,445,104
Cumulative effect of adoption of GASB 53	(19,297)	-
Fund equity at beginning of year, as restated	1,728,171	1,445,104
Fund equity at end of year	$ 1,553,983	$ 1,747,468

See notes to combined financial statements.

CALIFORNIA HOUSING FINANCE FUND
COMBINED STATEMENTS OF CASH FLOWS
June 30, 2010 and June 30, 2009
(Dollars in Thousands)

	2010 Combined Totals	2009 Combined Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 394,676	$ 453,574
Payments to suppliers	(34,690)	(34,031)
Payments to employees	(26,045)	(26,523)
Other receipts (payments)	578,408	(82,217)
Net cash provided by operating activities	912,349	310,803
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIE		
Due to other government entities	(157,471)	(97,387)
Net cash used for noncapital financing activities	(157,471)	(97,387)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIE		
Proceeds from sales of bonds and notes payable	1,492,815	310,945
Payment of bond principal	(132,069)	(122,819)
Early bond redemptions	(607,195)	(564,753)
Interest paid on debt	(358,385)	(412,536)
Interfund transfers	14,350	448,433
Additions to deferred costs	(1,502)	(1,924)
Net cash provided by (used for) capital and related financing activities	408,014	(342,654)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of investments	33,289,823	3,834,619
Purchase of investments	(33,103,579)	(3,827,161)
Interest on investments, net	44,151	76,135
Net cash (used for) provided by investing activities	230,395	83,593
Net increase (decrease) in cash and cash equivalents	1,393,287	(45,645)
Cash and cash equivalents at beginning of year	119,128	164,773
Cash and cash equivalents at end of year	$ 1,512,415	$ 119,128
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating (loss) income	$ (188,538)	$ (146,069)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Interest expense on debt	318,021	427,297
Interest on investments	(40,222)	(66,314)
Changes in fair value of investments	(18,894)	(11,033)
Accretion of capital appreciation bonds	3,110	3,335
Amortization of bond discount	64	62
Amortization of deferred losses on refundings of debt	1,024	509
Amortization of bond issuance costs	5,690	4,639
Amortization of bond premium	(1,700)	(1,237)
Amortization of deferred revenue	(1,273)	(2,207)
Depreciation	218	201
Provision for program loan losses	51,533	57,221
Provision for yield reduction payments	2,576	(13,540)
Provision for nonmortgage investment excess	(2,618)	(1,947)
Changes in certain assets and liabilities:		
Sale (Purchase) of program loans-net	(104,228)	(454,826)
Collection of principal from program loans, net	802,116	455,547
Interest receivable	1,687	4,087
Accounts receivable	(9,059)	(9,359)
Other assets and deferred outflow	(326,387)	(56)
Compensated absences	2,041	(158)
Deposits and other liabilities	94,565	65,134
Other liabilities and deferred inflow	322,623	(483)
Net cash provided by operating activities	$ 912,349	$ 310,803

See notes to combined financial statements.

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Note 1 – AUTHORIZING LEGISLATION AND ORGANIZATION

The California Housing Finance Fund ("Fund") is one of two continuously appropriated funds administered by the California Housing Finance Agency ("Agency"). The Agency was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), as amended, as a public instrumentality, a political subdivision and a component unit of the State of California ("State"), and administers the activities of the Fund and the California Housing Loan Insurance Fund ("Mortgage Insurance Fund"). These funds allow the Agency to carry out its purpose of financing the housing needs of persons and families of low and moderate income within the State. The Agency is authorized to issue its bonds, notes and other obligations to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency has no taxing power and is exempt from federal income taxes and state franchise taxes. Funding of loan programs on an on-going basis is derived principally from bond proceeds and interest earned on loans and investments.

The Agency may also provide administrative, consulting and technical services in connection with the financing of housing developments; act as a State representative in receiving and allocating federal housing subsidies; and make grants, under certain circumstances, to housing sponsors (providing that grants may not be made with proceeds from the sale of bonds or notes).

The Agency is the administrator of the Home Purchase Assistance Fund, established by Section 51341 of the Health and Safety Code *et seq*. which is a state general obligation bond program, the funds of which are neither generated nor held within the Fund, and therefore, not included in the accompanying combined financial statements.

The accompanying combined financial statements are the combined financial statements of the Fund and do not include the financial position or the results of operations of the Mortgage Insurance Fund which insures loans owned by the Agency and others to finance the acquisition, new construction or rehabilitation of residential structures in California. As of December 31, 2009, the Mortgage Insurance Fund had total assets of $66,780,146 and equity of $194,527, respectively (not covered by this Independent Auditors' Report).

As a component unit of the State, the financial information of the Fund is included in the State's Comprehensive Annual Financial Report.

Programs and accounts are as follows:

Home Mortgage Revenue Bonds: The Home Mortgage Revenue Bonds provide financing for the Agency's Home Mortgage Program which purchases eligible mortgage loans, secured by trust deeds on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lending institutions. All mortgage loans purchased under this program will be insured either by the FHA, the Mortgage Insurance Fund, the Department of Veterans Affairs ("VA"), a private mortgage guaranty insurance policy, or a combination thereof, covering a loss of up to fifty percent (50%), one hundred percent (100%) in the case of a FHA insured loan, of the outstanding principal amount of the mortgage loans.

Single Family Mortgage Bonds II: The Single Family Mortgage Bonds II, a parity indenture, provide financing for the Agency's Home Mortgage Program which purchases eligible mortgage loans, secured by trust deeds on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lending institutions. All mortgage loans purchased under this program will be insured either by the FHA, the Mortgage Insurance Fund, the VA or a private mortgage guaranty insurance policy covering a loss of up to fifty percent (50%), one hundred percent (100%) in the case of a FHA insured loan, of the outstanding principal amount of the mortgage loans.

Draw Down Bonds: The Draw Down Bonds are a low cost means for preserving tax exempt borrowing authority; they were issued in lieu of short term notes. The bonds are unrated and are issued in variable rate form and have monthly or weekly rate resets based on certain indices. The bonds are secured solely by their proceeds which are invested in investment agreements or the SMIF. These investments bear interest rates equal to or slightly in excess of the rates on the bonds.

Housing Program Bonds: The Housing Program Bonds Indenture was created to provide a vehicle for issuing debt to finance either multifamily or single family programs of the Agency. Bonds issued under this indenture are backed by the Agency's general obligation. As of June 30, 2008, the Agency has three series of bonds issued and outstanding under this indenture. These bonds were issued to finance deferred payment, simple interest loans originated under certain of the Agency's down payment assistance programs, as well as to finance certain multifamily loans.

Housing Mortgage Bonds: The Housing Mortgage Bonds are issued to enable the Agency to make or purchase Mortgage Loans and Mortgage Backed Securities secured by first liens on newly constructed or existing single family homes in California.

Residential Mortgage Revenue Bonds: The Residential Mortgage Revenue Bonds are issued by the Agency pursuant to a national initiative of the United States Treasury to assist state and local housing finance authorities by the Federal Program. The

Bonds, issued as escrow bonds pursuant to the Indenture, are to be converted to long-term fixed-rate bonds. The Treasury has agreed, through government-sponsored agencies, to purchase certain mortgage revenue bonds at rate lower than the prevailing market intended to reduce the costs of funds to issuers to the making or financing of mortgage loans.

Multifamily Loan Purchase Bonds: On July 26, 2000, the Agency purchased 278 Department of Housing and Urban Development ("HUD") Section 236 loans with an aggregate unpaid principal balance of approximately $270 million. The purpose of this transaction was to enhance the ability of the Agency to assist affordable housing sponsors to refinance their projects and extend the period during which the units are offered at affordable rents to very-low-income and lower-income tenants. The Agency expects to provide the financing for many of these transactions.

Multifamily Housing Revenue Bonds II: The Multifamily Housing Revenue Bonds II are fixed rate bonds collateralized by the GNMA mortgage-backed securities and/or FHA insured loans. The bonds were issued to provide financing for multi-unit rental housing developments which are utilized for occupancy by persons and families of low and moderate income. The loans may provide acquisition, construction (both for new construction and rehabilitation) and permanent financing for developments.

Multifamily Housing Revenue Bonds III: The Multifamily Housing Revenue Bonds III are fixed or variable rate bonds collateralized by GNMA mortgage-backed securities and/or FHA insured loans and/or uninsured loans. The bonds provide financing for multi-unit rental housing developments which are utilized for occupancy by persons and families of low and moderate income. The loans may provide acquisition, construction (both for new construction and rehabilitation), and permanent financing for developments.

Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Mission Gardens Apartments Project): This Bond is issued pursuant and in compliance with the Zenovich Moscone Chacon Housing and Home Finance Act, consisting of Parts 1 through 4 of Division 31 of the California Health and Safety Code, and a resolution of the Issuer. The Bonds are special, limited obligations of the Issuer payable solely from and secured by the Trust Estate pledged therefore pursuant to the Indenture. The Bonds are issued to provide funds to finance a multifamily housing project located in the City of Santa Cruz, California, owned by Mission Gardens Affordable, L.P., a California limited partnership.

Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Montecito Village Apartments Project): This Bond is issued pursuant and in compliance with the Zenovich Moscone Chacon Housing and Home Finance Act, consisting of Parts 1 through 4 of Division 31 of the California Health and Safety Code, and a resolution of the Issuer. The Bonds are special, limited obligations of the Issuer payable solely from and secured by the Trust Estate pledged therefore pursuant to the Indenture. The Bonds are issued to provide funds to finance a multifamily housing project located in the City of Ramona, California, owned by Montecito Village Affordable, L.P., a California limited partnership.

Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Fairmont Apartments Project): The bonds are issued to finance a loan to the borrower for acquisition, rehabilitation and development of a 31-unit multifamily rental housing project located in the City of Oakland, California, and known as Fairmont Apartments.

Affordable Multifamily Housing Revenue Bonds: The Affordable Multifamily Housing Revenue Bonds are issued under the Indenture in connection with the New Issue Bond Program of the HFA Initiative pursuant to the Memorandum of Understanding dated October 19, 2009 among Treasury, the Federal Housing Finance Agency, Fannie Mae and Freddie Mac to facilitate financing for various state and local housing finance agencies to serve homebuyers and low and moderate income renter.

Housing Assistance Trust: The Housing Assistance Trust ("HAT") is comprised of Agency investments in special purpose mortgage loans promoting both rental housing and homeownership, remaining investments in mortgage loans from fully redeemed bond indentures, and funds to assist in the development of single and multifamily projects through various low-interest loan and technical assistance programs. Also, included within HAT are the debenture note payable related to the claim filed under the FHA Risk Sharing Act discussed in note 7, as well as funds held in trust representing Earned Surplus and Financial Adjustment Factor ("FAF") Savings from HUD Section 8 projects. Earned Surplus is to be used in lowering the rents for persons and families of low or moderate income in accordance with state law. FAF Savings are to be used in providing decent, safe, and sanitary housing, which is available for very-low income families and persons qualifying in accordance with federal law.

Contract Administration Programs: The Agency administers loan and grant programs for the Rental Housing Construction Program, the School Facilities Fee Assistance Program, the California Homebuyer's Down payment Assistance Program, National Foreclosure Mitigation Counseling Program, Mental Health Services Act Housing Program, and programs offered pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002 and 2006. Funding of these programs was appropriated by the legislature or provided by voter authorized State bond programs to other departments and agencies within the State that have contracted with the Agency for this purpose. All monies transferred in accordance with the agreements and for the purposes of the program are considered assets of the Fund. The Fund received transfers in the amount of $14,350,055 during fiscal year 2010.

Supplementary Bond Security Account: This account was established exclusively to secure issuances of bonds. This security may be accomplished by creating supplementary reserve accounts to provide for payment of the principal, interest, redemption premiums or sinking fund payments on bonds, or by insuring mortgage loans made with the proceeds of bond issues or to indemnify the Mortgage Insurance Fund for losses.

Emergency Reserve Account: This account was established by the Agency to meet its obligations and liabilities incurred in connection with its housing loan programs. This reserve is maintained at approximately one percent (1%) of the aggregate amount of the Agency's net program loans receivable.

Loan Servicing: The Agency services nearly all multifamily program loans, a small portion of the homeownership program loans in first lien position, all junior or subordinate lien homeownership program loans and certain other loans for the California State Teachers Retirement System. Loan servicing agreements require that the Agency hold and maintain escrow and reserve accounts, on behalf of borrowers, that are reported as "Deposits and other Liabilities".

Loan Warehousing: The Agency borrowed $90,000,000 from the State's Pooled Money Investment Account "PMIA" for short-term warehousing of Agency loans. Homeownership loans are typically warehoused as they are purchased from originating lenders and subsequently transferred to individual bond financings on a monthly basis. The borrowing, which is reapplied for and approved in six-month intervals, requires that interest be paid on the loan at a rate equal to the earnings rate on SMIF on the date of the new loan. In December 2008, the Pooled Money Investment Board "PMIB" advised that additional draws on PMIA short term credit line were frozen due to the state's strained cash position. As of June 30, 2010, the draw on PMIA still remains frozen.

The Agency also has a revolving credit agreement "RCA" with a financial institution to provide a line of credit for short-term borrowings of up to $100,000,000, which may be increased up to $150,000,000. Under the terms of the agreement the Agency elects a fixed or variable rate of interest dependent on the expected duration of the draw and determined on the date of the draw as a stated spread to an associated index. The line of credit is available to the Agency until February 28, 2011. The proceeds of this credit facility are to be used for working capital purposes, including warehousing of multifamily program loans or homeownership program loans and making counterparty payments for various financial contracts. At June 30, 2010 draws totaling $88,571,845 were outstanding. Both PMIA and RCA credit lines are general obligations of the Agency and repayment is secured by the Agency's general reserves.

Citigroup Global Markets: The Loan Agreements were made and entered into by and between the Agency and Citibank, N.A., as lender, under the Zenovich-Moscone-Chacon Housing and Home Finance Act. Pursuant to the Loan Agreements, the proceeds of the Agency Loans will be used to retire certain indebtedness of the Agency including to refund and redeem all or a portion of certain Multifamily Rental Housing Bonds of the Agency that were originally issued to finance the Projects, and for other valid purposes of the Agency under the Act.

Operating Account: The Operating Account was established for purposes of depositing funds available to the Agency for payment of operating and administrative expenses of the Agency and financing expenditures not associated with specific bond funds.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting: The Fund is accounted for as an enterprise fund. Accordingly, the accompanying combined financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (hereinafter referred to as "Generally Accepted Accounting Principles").

Accounting and Reporting Standards: The Agency follows the Standards of Governmental Accounting and Financial Reporting, as promulgated by GASB. The Agency has adopted the option under GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funds Accounting*, which allows the Agency to apply all GASB pronouncements and only Financial Accounting Standards Board ("FASB") pronouncements which date prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates: The preparation of combined financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the gap insurance loss reserve. Based on factors such as reported delinquency categories, claim frequency percentages, severity of loss percentages and level of mortgage insurance coverage, the Agency records the estimated gap insurance losses for the delinquent mortgage loan portfolio. Actual results could differ materially from those estimates.

Cash and Cash Equivalents: The Agency considers cash on hand, cash on deposit with financial institutions and cash held in money market funds to be cash and cash equivalents.

Investments: All investments are reported at fair value as determined by financial services providers or financial publications, except for certain non-participating fixed interest investment contracts which are valued using cost based measures. The net increase (decrease) in the fair value of investments includes both realized and unrealized gains and losses.

Interest Rate Swap Agreements: The Agency enters into interest rate swap agreements with swap counterparties to manage variable interest rate risk exposure resulting from the issuance of variable rate bonds. The interest rate swap agreements provide synthetic fixed rates of interest on the underlying bonds and are accounted for as matched swaps in accordance with settlement accounting. An interest rate swap is considered to be a matched swap if it is linked through designation with an asset or liability that is on the balance sheet, provided that it has the opposite interest characteristics of such balance sheet item. Under settlement accounting, periodic net cash settlements under the swap agreements are treated as an increase or decrease in interest expense of the related bond liability over the lives of the agreements. There is an accounting change in the recording of HMRB hedging activity in year ended June 30, 2009. Swap expenses, swap expenses (fair value), swap termination fees and the gain on termination of swaps previously recorded in Homeownership Programs have been reclassified and are now being recorded in Other Programs and Accounts. This change did not affect the Agency's total net equity although it has affected the overall presentation of operating results within the financial statement categories. While these swap contracts hedge floating rate bonds issued within the HMRB indenture, hedging expenses are a general obligation of the Agency that is often reimbursed with excess revenue transfers from the HMRB indenture. The interest rate swap agreements allow the Agency to manage the interest rate risk associated with variable rate debt. The Agency adopted GASB 53 in fiscal year 2010. GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments. The Agency has restated the beginning fund equity at July 1, 2009, reducing from $1,747,467,790 to $1,728,170,239 (see note 14). The adoption of GASB 53 decreased the Agency's financial position by $39,369,584 as of June 30, 2010 and decreased results of operations by $20,072,034 for the year ended June 30, 2010, (see note 7). Because it is impractical to do so, the Agency did not restate prior year comparative financial statements.

Program Loans Receivable, net: Loans receivables are carried at their outstanding principal balances, less an allowance for loan losses.

Allowance for Program Loan Losses: The Agency's policy is to charge expenses for estimated probable losses which are established as an allowance for loan losses. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans based on evaluations of collectability and prior loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, delinquencies, and anticipated economic and other conditions that may affect the borrowers' ability to repay the loans. While management uses the best information available to evaluate the adequacy of its allowance, future adjustments to the allowance may be necessary if actual experience differs from the factors used in making the evaluations.

Other Real Estate Owned ("REO"): Property acquired by the Agency through foreclosure is recorded at the lower of estimated fair value less estimated selling costs (fair value) or the carrying value of the related loan at the date of foreclosure and is included in "Other Assets" on the accompanying combined financial statements. At the time the property is acquired, if the fair value is less than the loan amounts outstanding, any difference is charged against the allowance for loan losses. After acquisition, valuations are periodically performed and, if the carrying value of the property exceeds the current fair value, a valuation allowance is established by a charge to operations. Subsequent increases in the fair value may reduce or eliminate the allowance. Operating costs on foreclosed real estate are expensed as incurred. Costs incurred for physical improvements to foreclosed real estate are capitalized if the value is recoverable through future sale.

Bonds Payable, net: Bonds Payable, Debenture Notes Payable, and Notes Payable are carried at their outstanding principal balances, plus unamortized bond premiums, less unamortized bond discounts, unamortized underwriters discounts and deferred losses on refundings.

Bond Premium, Discount and Deferred Financing Costs: Premium, discount and financing costs on bonds are deferred and amortized over the life of the related bond issue using the straight line method of amortization.

Capital Appreciation Bonds: Capital appreciation bonds are payable upon redemption or at maturity in an amount equal to the initial principal amount of such bond plus an amount of interest which, based on semi-annual compounding from the original issuance date, will produce a given yield to the stated maturity. This "Accreted Value" is accrued as bond interest, thereby increasing the original issuance amount of the capital appreciation bond which is not paid until redemption or maturity.

Compensated Absences: Agency employees accrue vacation or annual leave in varying amounts for each monthly period worked. Employees may accumulate leave time, subject to certain limitations, and upon retirement, termination, or death may be compensated for certain accumulated amounts at their then current rates of pay. The Agency records an expense for all accumulated leave that the Agency would be required to pay if all employees terminated their employment.

Deferred Revenue: Deferred revenue represents the receipt of certain loan commitment fees and other fees from lenders and borrowers, which is generally recognized as revenue over the life of the associated loans. Also included in deferred revenue is the cumulative amount by which pass-through revenues exceed expenses and allowable costs of issuance of certain programs.

Fund Equity: Fund equity is classified as invested in capital assets or restricted equity. Invested in capital assets represents investments in office equipment and furniture net of depreciation. Restricted equity represents equity balances under the lien of bond indentures that are therefore pledged to bondholders. State statutes further restrict other net assets of the Fund solely for purposes of the Agency and provide for a continuing appropriation of such assets for the benefit of bondholders.

Extinguishment of Debt: The Agency accounts for gains and losses associated with debt refundings by deferring such gains or losses and recognizing them as revenues or expenses over the shorter of the term of the bonds extinguished or the term of the refunding bonds. Gains or losses associated with debt redemptions and maturing principal, other than refundings, are recognized as income or expense at the date of the extinguishment.

Operating Revenues and Expenses: The Fund's primary operating revenue is derived from the investment of bond proceeds in the loan programs and investment securities. The primary expense is interest expense on bonds outstanding. Net interest income is an important measure of performance for the Fund. "Interest income program loans" and "interest income investments-net" are shown as operating revenues in the statements of Revenue, Expenses and Changes in Fund Equity.

Other Operating Revenues and Expenses: The Agency administers certain Section 8 contracts under the HUD guidelines of New Construction and Substantial Rehabilitation. Included in most contracts is an administrative fee earned by the Agency which totaled $1,692,400 and $1,605,564 the years ended June 30, 2010 and 2009, respectively. The Agency also administers National Foreclosure Mitigation Counseling Program ("FMC"). The HUD/FMC pass-through payments aggregated $79,851,397 and $72,832,268 for the years ended June 30, 2010 and 2009, respectively, and are reported as other operating revenues and expenses within Other Programs and Accounts.

Note 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Fund utilizes a cash and investment pool maintained by the State Treasurer's office. Each program and account's portion of this pool is included in investments on the balance sheet. In addition, other types of investments are separately held by most of the programs and accounts.

Cash and Cash Equivalents: At June 30, 2010 and 2009, all cash and cash equivalents, totaling $1,512,415,000 and $119,128,000, respectively, were covered by federal depository insurance or by collateral held by the Agency's agent in the Agency's name.

Investments: Investment of funds is restricted by the Act and the various bond resolutions and indentures of the Agency, generally, to certain types of investment securities, including direct obligations of the U.S. Government and its agencies, the State Treasurer's Pooled Money Investment Account, long term investment agreements which are issued by institutions rated within the top two ratings of a nationally recognized rating service, and other financial instruments. The Fund's investments are categorized to give an indication of the level of risk assumed by the Agency at June 30, 2010. Category 1 includes investments that are insured or registered or for which the securities are held within the Fund by the Agency's agent in the Agency's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Agency's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agency but not in the Agency's name.

In connection with some of the cancellation of insurance on Home Mortgage Revenue Bonds, the Agency is required to post collateral on the swap associated with these bonds. As of June 30, 2010, the total cash and fair market value of investment securities posted as collateral was $76,276,934.

Investments at June 30, 2010 and 2009 are as follows (dollars in thousands):

	Category 1	Category 2	Category 3	Fair Value June 30, 2010	Fair Value June 30, 2009
U.S. Agency Securities -— GNMA's	$ 77,070			$ 77,070	$ 6,034
Federal Agency Securities	204,419			204,419	239,659
Investment Agreements -— Financial Institutions (at cost)		$ 168,453		168,453	144,782
Total	$ 281,489	$ 168,453	$ -		
Other Investments (not subject to categorization):					
Surplus Money Investment Fund -— State of California				1,686,471	1,637,710
Other Investment Agreements (at cost)				134,904	88,777
Total Investments				$ 2,271,317	$ 2,116,962
Current portion				2,061,589	1,875,314
Noncurrent portion				209,728	241,648
Total				$ 2,271,317	$ 2,116,962

Note 4 – INVESTMENT RISK FACTORS

Investments by type at June 30, 2010 and 2009 consist of the following (dollars in thousands):

	2010 Combined Totals	2009 Combined Totals
U.S. Agency Securities -— GNMA's	$ 77,070	$ 6,034
Federal Agency Securities	204,419	239,659
Investment Agreements -— Financial Institutions (at cost)	303,357	233,559
Surplus Money Investment Fund -— State of California	1,686,471	1,637,710
Total Investments	$ 2,271,317	$ 2,116,962

There are many factors that can affect the value of investments. Some, such as credit risk, custodial credit risk, and concentration of credit risk and interest rate risk, may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. It is the investment policy of the Agency to invest substantially all of its funds in fixed income securities, which limits the Agency's exposure to most types of risk.

Credit Risk: Fixed income securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk.

The credit risk profile for fixed income securities at June 30, 2010 is as follows (dollars in thousands):

	2010 Combined Totals	2009 Combined Totals
Fixed income securities:		
U.S. government guaranteed	$ 281,489	$ 245,693
Guaranteed interest contracts:		
Rated Aaa/AAA	16,602	55,121
Rated Aaa/AA-	-	954
Rated Aaa/NR	24,822	-
Rated Aa3/A+	23,332	11,012
Rated Aa2/AA+	857	9,717
Rated Aa2/AA-	-	3,344
Rated Aa2/A+	122,057	84,126
Rated NR/AA+	15,935	-
Rated A3/A	512	3,140
Rated A1/AA-	95,621	63,294
Rated A1/A+	3,619	2,851
Total fixed income securities	$ 584,846	$ 479,252

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. At June 30, 2010, the Agency did not have any investments exposed to custodial credit. All investments are held by the State of California or a pledging financial institutions in the name of the Agency.

Concentration of Credit Risk: Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the Agency to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools, such as the commingled funds managed by the Agency are not considered subject to concentration of credit risk. At June 30, 2010, no investments in any one issuer exceed 5% of the net assets, except for securities issued by the U.S. government or its agencies.

Interest Rate Risk: Interest rate risk is the risk that the value of fixed income securities will decline due to decreasing interest rates. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. At June 30, 2010, the Agency does not have any debt investments that are highly sensitive to changes in interest rates.

Effective duration is the approximate change in price of a security resulting from a 100 basis points (1 percentage point) change in the level of interest rates. It is not a measure of time. The effective duration for fixed income securities at June 30, is as follows:

	2010	2009
Fixed income securities:		
U.S. government guaranteed	15.72	11.71
Commercial Paper	N/A	N/A

Note 5 – PROGRAM LOANS RECEIVABLE

Changes in program loans receivable for the years ended June 30, 2010 and 2009 are as follows (dollars in thousands):

	2010 Combined Totals	2009 Combined Totals
Beginning of year balance	$ 8,532,033	$ 8,557,404
Loans purchased/funded	104,070	496,376
Amortized principal repayments	(243,720)	(319,718)
Prepayments	(558,396)	(176,350)
Chargeoffs	(46,838)	(25,679)
Subtotal	7,787,149	8,532,033
Unamortized Mortgage Discount	(3,148)	(3,307)
Transfer to mortgage-backed securities	(321,705)	-
Transfer to REO-net	(200,641)	(95,669)
Allowance for loan loss	(117,186)	(112,491)
End of year balance	$ 7,144,469	$ 8,320,566
Current portion	$ 253,749	$ 307,511
Noncurrent portion	6,890,720	8,013,055
Total	$ 7,144,469	$ 8,320,566

Note 6 – ALLOWANCE FOR PROGRAM LOAN LOSSES

Changes in the allowance for program loan losses for the year ended June 30, 2010 and 2009 are as follows (dollars in thousands):

	2010 Combined Totals	2009 Combined Totals
Beginning of year balance	$ 112,491	$ 80,948
Provisions for program loan losses	51,533	57,221
Chargeoffs	(46,838)	(25,678)
End of year balance	$ 117,186	$ 112,491

Note 7 – BONDS, DEBENTURE NOTES, AND NOTES PAYABLE AND ASSOCIATED INTEREST RATE SWAPS

The Act empowers the Agency, on behalf of the Fund, to issue both federally taxable and tax exempt bonds and notes. Bonds and notes issued by the Agency are not debts of the State but are special and general obligations of the Agency payable solely from and collateralized by the revenues and other assets pledged under the respective indentures. The Act provides the Agency with the authority to have outstanding bonds or notes, at any one time, in the aggregate principal amount of $13.15 billion excluding refunding issues and certain taxable securities.

The Agency, on behalf of the Fund, as part of its interest rate risk management program, has entered into interest rate swap agreements with various counterparties wherein the Agency has agreed to pay fixed or variable rates of interest and receive floating rate payments.

Bonds payable and the terms and outstanding notional amounts and fair value of associated interest rate swaps as of June 30, 2010 are as follows (dollars in thousands):

	Bonds					
Bond Issue	**Type of Bond**	**Interest Rate Range**	**Final Maturity Date**	**Outstanding Fixed**	**Outstanding Variable**	**Total**
Home Mortgage Revenue Bonds:						
1982 Series A	Tax-Exempt	10.250%	2014	$ 1,325		$ 1,325
1982 Series B	Tax-Exempt	10.625%	2014	415		415
1983 Series A	Tax-Exempt	10.263%	2015	15,406		15,406
1983 Series B	Tax-Exempt	10.751%	2015	3,066		3,066
1984 Series B	Tax-Exempt	11.493%	2016	443		443
1985 Series A	Tax-Exempt	10.989%	2016	767		767
1985 Series B	Tax-Exempt	9.876%	2017	3,475		3,475
1997 Series O	Tax-Exempt	5.650%	2027	3,875		3,875
1998 Series F	Tax-Exempt	4.700% - 5.000%	2016	8,110		8,110
1998 Series J	Tax-Exempt	4.850%	2027	480		480
1998 Series M	Taxable	0.530%	2023		$ 9,175	9,175
1999 Series F	Tax-Exempt	5.200%	2028	3,429		3,429
1999 Series G	Taxable	6.870%	2011	5,090		5,090
1999 Series N	Tax-Exempt	5.100% - 5.300%	2031	13,540		13,540
1999 Series O	Taxable	0.450%	2012		8,830	8,830
2000 Series B	Tax-Exempt	6.200%	2019	2,119		2,119
2000 Series D	Taxable	0.460%	2023		26,060	26,060
2000 Series H	Taxable	0.420%	2017		9,885	9,885
2000 Series H	Taxable	0.420%	2017		17,075	17,075
2000 Series J	Tax-Exempt	0.250%	2031		15,800	15,800
2000 Series K	Taxable					
2000 Series N	Tax-Exempt	0.250%	2031		28,190	28,190
2000 Series V	Taxable	0.490%	2032		46,350	46,350
2000 Series X-2	Tax-Exempt	0.250%	2031		23,190	23,190
2000 Series Z	Taxable	0.480%	2031		37,200	37,200
2000 Series Z	Taxable	0.480%	2031		3,715	3,715
2001 Series D	Taxable	0.560%	2022		62,485	62,485
2001 Series G	Taxable	0.500%	2029		51,310	51,310
2001 Series J	Tax-Exempt	0.250%	2032		41,170	41,170
2001 Series K	Taxable	0.540%	2032		59,895	59,895
2001 Series N	Tax-Exempt					
2001 Series O	Taxable	0.570%	2032		65,535	65,535
2001 Series S	Taxable	0.610%	2023		44,895	44,895

Swaps

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Fixed payer	6.6550%	LIBOR	12/9/99	8/1/12	$ 5,335	$ (320)
Fixed payer	7.1950%	LIBOR	1/27/00	2/1/13	6,965	(461)
Fixed payer	7.2600%	LIBOR @ 65%	4/6/00	8/1/10	310	(2)
Fixed payer	4.9000%	LIBOR @ 65%	5/25/00	8/1/30	23,545	(5,036)
Fixed payer	5.1600%	LIBOR @ 65%	5/25/00	8/1/22	29,915	(125)
Fixed payer	7.0960%	6 mo LIBOR	10/5/00	8/1/14	25,860	(2,675)
Fixed payer	4.5100%	LIBOR @ 65%	12/13/00	8/1/31	28,165	(5,187)
Fixed payer	6.8430%	3 mo LIBOR	12/13/00	8/1/16	28,965	(3,915)
Fixed payer	6.2150%	3 mo LIBOR+.26%	1/25/01	8/1/19	46,315	(6,595)
Fixed payer	6.0100%	3 mo LIBOR+.20%	4/5/01	2/1/16	25,825	(3,037)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	39,670	(4,504)
Fixed payer	3.9910%	LIBOR @ 65%	7/26/01	8/1/18	10,780	(925)
Fixed payer	6.3600%	3 mo LIBOR+.27%	7/26/01	8/1/20	50,250	(7,766)
Fixed payer	5.5300%	3 mo LIBOR+.31%	10/10/01	8/1/18	33,540	(3,549)

	Bonds					
Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
2001 Series U	Tax-Exempt	0.250%	2032		49,610	49,610
2001 Series V	Taxable	0.430%	2031		16,345	16,345
2002 Series B	Tax-Exempt	0.250%	2033		39,170	39,170
2002 Series C	Taxable	0.550%	2033		36,760	36,760
2002 Series D	Taxable	0.470%	2030		33,350	33,350
2002 Series F	Tax-Exempt					
2002 Series H	Taxable	0.550%	2022		23,935	23,935
2002 Series J	Tax-Exempt	0.250%	2033		76,425	76,425
2002 Series L	Taxable	0.550%	2024		24,710	24,710
2002 Series M	Tax-Exempt	0.250%	2032		41,600	41,600
2002 Series M	Tax-Exempt	0.250%	2032		2,450	2,450
2002 Series M	Tax-Exempt	0.250%	2033		30,105	30,105
2002 Series O	Taxable	0.520%	2033		23,550	23,550
2002 Series P	Tax-Exempt					
2002 Series Q	Tax-Exempt	0.250%	2033		12,975	12,975
2002 Series U	Tax-Exempt	0.250%	2032		34,360	34,360
2002 Series U	Tax-Exempt	0.250%	2031		34,800	34,800
2003 Series D	Tax-Exempt	0.240%	2033		46,710	46,710
2003 Series D	Tax-Exempt	0.250%	2022		35,640	35,640
2003 Series F	Tax-Exempt	0.250%	2022		44,210	44,210
2003 Series F	Tax-Exempt	0.250%	2034		75,770	75,770
2003 Series G	Taxable	0.450%	2034		19,295	19,295
2003 Series H	Tax-Exempt	0.250%	2032		48,610	48,610
2003 Series H	Tax-Exempt	0.250%	2033		53,500	53,500
2003 Series I	Taxable	0.480%	2033		34,360	34,360
2003 Series K	Tax-Exempt	0.250%	2033		61,400	61,400
2003 Series K	Tax-Exempt	0.250%	2034		42,310	42,310
2003 Series L	Taxable	0.480%	2034		32,420	32,420
2003 Series M	Tax-Exempt	0.250%	2024		47,790	47,790
2003 Series M	Tax-Exempt	0.250%	2034		74,740	74,740
2003 Series N	Taxable	0.510%	2034		37,060	37,060
2004 Series A	Tax-Exempt	0.250%	2033		35,545	35,545
2004 Series A	Tax-Exempt	0.250%	2034		33,560	33,560
2004 Series B	Taxable	0.470%	2034		4,235	4,235
2004 Series E	Tax-Exempt	0.280%	2035		50,690	50,690
2004 Series E	Tax-Exempt	0.280%	2035		67,860	67,860
2004 Series F	Taxable	0.490%	2035		46,690	46,690
2004 Series G	Tax-Exempt	0.250%	2034		57,995	57,995
2004 Series G	Tax-Exempt	0.250%	2035		22,285	22,285
2004 Series H	Taxable	0.530%	2035		6,935	6,935
2004 Series I	Tax-Exempt					
2004 Series I	Tax-Exempt					
2005 Series A	Tax-Exempt	0.250%	2035		140,590	140,590
2005 Series B	Tax-Exempt	0.250%	2016		37,640	37,640
2005 Series B	Tax-Exempt	0.250%	2035		95,220	95,220
2005 Series B	Tax-Exempt	0.250%	2035		9,260	9,260
2005 Series B	Tax-Exempt	0.250%	2035		4,100	4,100
2005 Series C	Tax-Exempt	3.350% - 3.700%	2013	19,575		19,575
2005 Series D	Tax-Exempt	0.250%	2038		63,590	63,590
2005 Series D	Tax-Exempt	0.250%	2040		105,375	105,375
2005 Series E	Tax-Exempt	3.250% - 3.350%	2011	3,980		3,980
2005 Series F	Tax-Exempt	0.250%	2037		70,715	70,715
2005 Series F	Tax-Exempt	0.250%	2038		86,685	86,685
2005 Series F	Tax-Exempt	0.250%	2040		16,170	16,170
2005 Series G	Tax-Exempt					

Swaps

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Fixed payer	4.1300%	SIFMA less .15%	12/6/01	8/1/32	51,040	(5,714)
Fixed payer	3.8880%	LIBOR @ 65%	4/18/02	8/1/27	38,780	(5,891)
Fixed payer	5.6000%	3 mo LIBOR+.25%	5/1/02	8/1/12	17,220	(649)
Fixed payer	5.8000%	3 mo LIBOR+.17%	8/1/02	2/1/11	8,310	(113)
Fixed payer	3.9940%	LIBOR @ 65%	6/6/02	2/1/24	45,070	(5,391)
Fixed payer	5.5350%	3 mo LIBOR+.25%	11/1/02	2/1/13	7,325	(309)
Fixed payer	3.8630%	LIBOR @ 65%	8/8/02	8/1/32	75,950	(8,346)
Fixed payer	5.1000%	3 mo LIBOR+.25%	12/1/02	2/1/13	12,990	(491)
Fixed payer	3.7280%	LIBOR @ 65%	10/17/02	8/1/22	41,600	(5,448)
Fixed payer	3.9890%	3 mo LIBOR+.22%	2/3/03	2/1/12	9,335	(197)
Fixed payer	3.1480%	LIBOR @ 65%	12/12/02	8/1/22	53,670	(4,858)
Fixed payer	3.8200%	LIBOR @ 65%	2/1/06	8/1/32	13,310	(1,073)
Fixed payer	3.9100%	LIBOR @ 60%+.26%	3/6/03	2/1/31	5,665	(264)
Fixed payer	3.2400%	LIBOR @ 60%+.26%	3/6/03	2/1/31	33,135	(1,307)
Fixed payer	3.7750%	LIBOR @ 60%+.26%	4/10/03	8/1/33	40,315	(1,552)
Fixed payer	3.1300%	LIBOR @ 60%+.26%	4/10/03	8/1/19	35,725	(1,141)
Fixed payer	3.1250%	LIBOR @ 60%+.26%	3/26/03	2/1/18	44,680	(1,452)
Fixed payer	3.7000%	LIBOR @ 60%+.26%	3/26/03	2/1/34	71,265	(2,811)
Fixed payer	2.6750%	LIBOR @ 60%+.26%	8/7/03	8/1/30	47,860	(1,622)
Fixed payer	3.4270%	LIBOR @ 60%+.26%	8/7/03	8/1/33	9,100	(23)
Fixed payer	3.2700%	LIBOR @ 60%+.26%	8/1/04	2/1/18	58,455	(3,235)
Fixed payer	4.2450%	LIBOR @ 60%+.26%	8/1/04	8/1/30	13,120	(43)
Fixed payer	3.2250%	LIBOR @ 60%+.26%	2/2/04	8/1/19	48,270	(2,368)
Fixed payer	3.8900%	LIBOR @ 60%+.26%	2/4/04	8/1/34	49,340	(2,868)
Fixed payer	3.0875%	LIBOR @ 60%+.26%	8/1/04	8/1/30	33,725	(2,280)
Fixed payer	4.0450%	LIBOR @ 60%+.26%	8/1/04	2/1/34	3,080	(103)
Fixed payer	3.5400%	LIBOR @ 60%+.26%	4/1/05	8/1/20	51,755	(3,444)
Fixed payer	4.1330%	LIBOR @ 60%+.26%	4/1/05	2/1/35	54,625	(4,798)
Fixed payer	3.6100%	LIBOR @ 60%+.26%	2/1/05	2/1/34	56,195	(6,007)
Fixed payer	4.0821%	LIBOR @ 60%+.26%	8/1/04	2/1/35	17,510	(369)
Fixed payer	3.5600%	LIBOR @ 60%+.26%	8/4/04	2/1/33	17,065	(1,834)
Fixed payer	4.0750%	LIBOR @ 60%+.26%	8/4/04	2/1/35	5,305	(83)
Fixed payer	3.8040%	LIBOR @ 60%+.26%	4/5/05	8/1/35	140,590	(20,234)
Fixed payer	3.0490%	LIBOR @ 60%+.26%	7/1/05	2/1/16	37,830	(1,885)
Fixed payer	3.7260%	LIBOR @ 60%+.26%	7/1/05	2/1/35	39,645	(1,822)
Fixed payer	3.1580%	LIBOR @ 60%+.26%	5/19/05	2/1/36	55,565	(4,269)
Fixed payer	3.6040%	LIBOR @ 60%+.26%	5/19/05	2/1/40	56,895	(550)
Fixed payer	3.2200%	LIBOR @ 60%+.26%	7/28/05	8/1/31	65,915	(915)
Fixed payer	3.3860%	LIBOR @ 60%+.26%	7/28/05	2/1/38	86,685	(4,407)
Fixed payer	4.4540%	97% SIFMA & HR	12/15/05	2/1/34	19,060	(443)

		Bonds						
Bond Issue	**Type of Bond**	**Interest Rate Range**			**Final Maturity Date**	**Outstanding Fixed**	**Outstanding Variable**	**Total**
2005 Series G	Tax-Exempt							
2005 Series H	Tax-Exempt			0.250%	2036		82,680	82,680
2005 Series H	Tax-Exempt			0.250%	2036		70,230	70,230
2006 Series A	Tax-Exempt							
2006 Series B	Tax-Exempt	3.800%	-	4.000%	2013	15,730		15,730
2006 Series C	Tax-Exempt			0.250%	2037		81,445	81,445
2006 Series C	Tax-Exempt			0.250%	2037		86,905	86,905
2006 Series D	Tax-Exempt	4.250%	-	4.400%	2017	20,000		20,000
2006 Series E	Tax-Exempt	4.300%	-	5.050%	2026	87,460		87,460
2006 Series F	Tax-Exempt			0.240%	2041		43,130	43,130
2006 Series F	Tax-Exempt			0.240%	2041		60,000	60,000
2006 Series G	Tax-Exempt	3.650%	-	3.875%	2016	29,490		29,490
2006 Series H	Tax-Exempt	4.000%	-	5.750%	2030	45,600		45,600
2006 Series I	Tax-Exempt	4.600%	-	4.875%	2041	151,570		151,570
2006 Series J	Tax-Exempt	3.750%	-	4.150%	2016	25,265		25,265
2006 Series K	Tax-Exempt	4.625%	-	4.800%	2042	243,710		243,710
2006 Series L	Tax-Exempt	3.750%	-	4.150%	2016	40,720		40,720
2006 Series M	Tax-Exempt	4.550%	-	4.750%	2042	207,190		207,190
2007 Series A	Taxable			5.720%	2032	90,000		90,000
2007 Series B	Taxable			0.480%	2042		40,000	40,000
2007 Series C	Taxable			0.480%	2042		20,000	20,000
2007 Series D	Tax-Exempt	3.850%	-	4.400%	2018	65,190		65,190
2007 Series E	Tax-Exempt	4.650%	-	4.800%	2042	186,245		186,245
2007 Series F	Tax-Exempt	4.050%	-	4.700%	2017	41,090		41,090
2007 Series G	Tax-Exempt	4.950%	-	5.050%	2029	109,025		109,025
2007 Series G	Tax-Exempt			5.500%	2042	77,450		77,450
2007 Series H	Tax-Exempt			0.240%	2033		50,000	50,000
2007 Series H	Tax-Exempt			0.240%	2042		50,000	50,000
2007 Series I	Tax-Exempt	3.750%	-	4.350%	2017	15,390		15,390
2007 Series J	Tax-Exempt	4.950%	-	5.050%	2027	53,500		53,500
2007 Series J	Tax-Exempt			5.750%	2047	33,950		33,950
2007 Series K	Tax-Exempt			0.240%	2037		25,000	25,000
2007 Series K	Tax-Exempt			0.240%	2038		25,000	25,000
2007 Series L	Taxable			5.530%	2027	48,485		48,485
2007 Series M	Taxable			5.835%	2032	86,465		86,465
2007 Series N	Taxable			0.480%	2043		60,000	60,000
2008 Series A	Tax-Exempt	3.200%	-	4.500%	2020	40,390		40,390
2008 Series B	Tax-Exempt			4.800%	2028	35,960		35,960
2008 Series C	Tax-Exempt			0.240%	2041		13,920	13,920
2008 Series C	Tax-Exempt			0.240%	2041		20,085	20,085
2008 Series C	Tax-Exempt			0.240%	2041		15,850	15,850
2008 Series C	Tax-Exempt			0.240%	2041		7,005	7,005
2008 Series C	Tax-Exempt			0.240%	2041		7,760	7,760
2008 Series C	Tax-Exempt			0.240%	2041		5,945	5,945
2008 Series D	Tax-Exempt			0.240%	2043		1,680	1,680
2008 Series D	Tax-Exempt			0.240%	2043		2,595	2,595
2008 Series D	Tax-Exempt			0.240%	2043		1,355	1,355
2008 Series D	Tax-Exempt			0.240%	2043		3,865	3,865
2008 Series D	Tax-Exempt			0.240%	2043		4,210	4,210
2008 Series D	Tax-Exempt			0.240%	2043		1,980	1,980
2008 Series D	Tax-Exempt			0.240%	2031		44,125	44,125
2008 Series D	Tax-Exempt			0.240%	2031		35,420	35,420
2008 Series E	Tax-Exempt			0.240%	2032		26,390	26,390
2008 Series E	Tax-Exempt			0.240%	2032		16,340	16,340
2008 Series E	Tax-Exempt			0.240%	2032		7,865	7,865
2008 Series F	Tax-Exempt			0.240%	2032		25,000	25,000

Swaps

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Fixed payer	3.9320%	LIBOR @ 62%+.25%&HR	12/15/05	2/1/34	12,225	(217)
Fixed payer	3.6500%	LIBOR @ 62%+.25%	12/15/05	8/1/31	69,165	(1,109)
Fixed payer	3.8570%	LIBOR @ 62%+.25%	12/15/05	2/1/36	64,260	(4,917)
Fixed payer	4.3530%	97% SIFMA	2/2/06	8/1/35	31,535	(681)
Fixed payer	4.0180%	LIBOR @ 62%+.25%	4/19/06	8/1/30	80,885	(3,878)
Fixed payer	4.0590%	LIBOR @ 62%+.25%	4/19/06	2/1/37	76,265	(8,123)
Fixed payer	4.2550%	LIBOR @ 62%+.25%	7/27/06	8/1/40	60,000	(7,464)
Fixed payer	4.1360%	LIBOR @ 62%+.25%	7/27/06	2/1/41	60,000	(7,561)
Fixed payer	4.0480%	LIBOR @ 62%+.25%	8/8/07	2/1/31	50,000	(6,651)
Fixed payer	4.2360%	LIBOR @ 62%+.25%	8/8/07	2/1//38	50,000	(7,084)
Fixed payer	3.9870%	LIBOR @ 63%+.24%	11/7/07	8/1/32	25,000	(2,923)
Fixed payer	4.0400%	LIBOR @ 63%+.24%	11/7/07	2/1/38	25,000	(2,790)
Fixed payer	4.8000%	LIBOR @ 65%	4/6/00	2/1/23	3,750	(660)
Fixed payer	5.1600%	LIBOR @ 65%	5/25/00	8/1/22	20,085	(85)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	15,735	(2,487)
Fixed payer	3.9940%	LIBOR @ 65%	6/6/02	2/1/24	7,005	(1,411)
Fixed payer	3.8630%	LIBOR @ 65%	8/8/02	8/1/32	7,760	(1,682)
Fixed payer	4.9500%	LIBOR @ 65%	11/18/08	8/1/23	5,945	(42)
Fixed payer	4.9000%	LIBOR @ 65%	5/25/00	8/1/30	1,680	(616)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	2,595	(508)
Fixed payer	3.9910%	LIBOR @ 65%	7/26/01	8/1/18	1,355	(227)
Fixed payer	4.1300%	SIFMA less .15%	12/6/01	8/1/32	3,865	(599)
Fixed payer	4.8500%	LIBOR @ 65%	11/18/08	2/1/17	4,210	(846)
Fixed payer	4.8000%	LIBOR @ 65%	4/6/00	2/1/23	13,850	(2,122)
Fixed payer	4.8500%	LIBOR @ 65%	11/18/08	2/1/17	33,135	(3,634)
Fixed payer	4.5275%	LIBOR @ 65%	10/5/00	8/1/15	26,080	(2,473)
Fixed payer	4.6600%	LIBOR @ 65%	11/18/08	2/1/16	14,930	(1,402)
Fixed payer	4.9500%	LIBOR @ 65%	11/18/08	8/1/23	19,055	(77)
Fixed payer	3.8700%	LIBOR @ 65%	11/18/08	8/1/17	25,000	(2,321)

Bond Issue	Type of Bond	Interest Rate Range			Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
	Bonds							
2008 Series G	Taxable			6.000%	2025	50,000		50,000
2008 Series H	Taxable			4.950%	2020	93,825		93,825
2008 Series I	Taxable			1.690%	2042		17,000	17,000
2008 Series I	Taxable			1.690%	2042		13,990	13,990
2008 Series I	Taxable			1.690%	2042		80,615	80,615
2008 Series J	Tax-Exempt	3.950%	-	5.125%	2018	75,545		75,545
2008 Series K	Tax-Exempt	5.300%	-	5.600%	2038	220,475		220,475
2008 Series L	Tax-Exempt	2.550%	-	5.550%	2038	186,980		186,980
2008 Series M	Tax-Exempt	5.750%	-	5.950%	2025	60,210		60,210
Housing Program Bonds:								
2004 Series A	Tax-Exempt			0.240%	2036		28,000	28,000
2006 Series A	Tax-Exempt	4.750%	-	4.950%	2036	47,090		47,090
2006 Series B - SF	Taxable			0.250%	2036		6,655	6,655
2006 Series B - MF	Taxable			0.250%	2036		44,450	44,450
Housing Mortgage Bonds:								
2009 Series A	Tax-Exempt	6.250%	-	12.000%	2038	49,370		49,370
Residential Mortgage Revenue Bonds:								
2009 Series A-1	Taxable			0.010%	2041		900,000	900,000
2009 Series A-2	Tax-Exempt			0.010%	2041		116,440	116,440
Multifamily Loan Purchase Bonds:								
2000 Series A	Taxable			Variable	2017	44,922		44,922
Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Mission Gardens Apartments Project):								
2009 Series A	Tax-Exempt			0.290%	2041		4,620	4,620
Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Montecito Village Apartments Project):								
2009 Series B	Tax-Exempt			0.290%	2043		6,325	6,325
Limited Obligation Multifamily Housing Revenue Bonds (Fairmont Apartments Project):								
2009 Series C	Tax-Exempt	4.250%	-	7.000%	2026	1,413		1,413
Multifamily Housing Revenue Bonds II:								
1995 Series A	Tax-Exempt			6.250%	2037	2,765		2,765
1995 Series C	Taxable	8.000%	-	8.100%	2037	19,560		19,560
1996 Series A	Tax-Exempt			6.050%	2027	16,920		16,920
1996 Series B	Tax-Exempt	5.850%	-	6.150%	2022	19,685		19,685
Multifamily Housing Revenue Bonds III:								
1997 Series A	Tax-Exempt	5.850%	-	6.050%	2038	60,040		60,040
1998 Series A	Tax-Exempt	4.850%	-	5.500%	2038	28,445		28,445
1998 Series B	Tax-Exempt	4.850%	-	5.500%	2039	70,260		70,260
1998 Series C	Tax-Exempt	4.600%	-	5.300%	2028	7,975		7,975
1999 Series A	Tax-Exempt	4.700%	-	5.375%	2036	31,635		31,635
2000 Series A	Tax-Exempt			0.352%	2035		73,690	73,690

Swaps

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Fixed payer	6.1950%	LIBOR	8/1/02	8/1/14	17,000	(1,777)
Fixed payer	7.1100%	LIBOR	11/18/08	8/1/22	40,785	(10,270)

	Bonds					
Bond Issue	**Type of Bond**	**Interest Rate Range**	**Final Maturity Date**	**Outstanding Fixed**	**Outstanding Variable**	**Total**
2000 Series B	Tax-Exempt	0.298%	2031		1,445	1,445
2000 Series B	Tax-Exempt	0.298%	2031		4,695	4,695
2000 Series C	Tax-Exempt	0.352%	2033		45,260	45,260
2000 Series D	Tax-Exempt	0.298%	2031		13,495	13,495
2001 Series C	Taxable	0.301%	2041		10,730	10,730
2001 Series D	Tax-Exempt	0.225%	2022		720	720
2001 Series E	Tax-Exempt	0.245%	2036		47,755	47,755
2001 Series F	Tax-Exempt	0.225%	2032		13,240	13,240
2001 Series G	Tax-Exempt	0.245%	2036		41,400	41,400
2001 Series G	Tax-Exempt	0.245%	2036		9,435	9,435
2001 Series H	Taxable	0.250%	2036		14,715	14,715
2002 Series A	Tax-Exempt	0.245%	2037		9,330	9,330
2002 Series A	Tax-Exempt	0.245%	2037		7,385	7,385
2002 Series B	Tax-Exempt	0.261%	2035		24,670	24,670
2002 Series C	Tax-Exempt	0.312%	2037		6,295	6,295
2002 Series C	Tax-Exempt	0.312%	2037		15,805	15,805
2002 Series D	Tax-Exempt	0.225%	2035		4,305	4,305
2002 Series E	Tax-Exempt	0.225%	2037		15,045	15,045
2002 Series E	Tax-Exempt	0.225%	2037		39,580	39,580
2003 Series C	Tax-Exempt	0.576%	2038		13,930	13,930
2003 Series C	Tax-Exempt	0.576%	2038		14,135	14,135
2003 Series C	Tax-Exempt	0.576%	2038		14,205	14,205
2004 Series A	Tax-Exempt	3.407%	2034		19,025	19,025
2004 Series B	Tax-Exempt	3.764%	2039		12,260	12,260
2004 Series B	Tax-Exempt	3.764%	2039		6,365	6,365
2004 Series B	Tax-Exempt	3.764%	2039		5,415	5,415
2004 Series B	Tax-Exempt	3.764%	2039		15,080	15,080
2004 Series B	Tax-Exempt	3.764%	2039		1,725	1,725
2004 Series C	Tax-Exempt	0.622%	2037		8,175	8,175
2004 Series D	Tax-Exempt	0.622%	2039		49,830	49,830
2005 Series A	Tax-Exempt	0.225%	2035		2,300	2,300
2005 Series B	Tax-Exempt	0.245%	2038		2,620	2,620
2005 Series B	Tax-Exempt	0.245%	2038		15,835	15,835
2005 Series B	Tax-Exempt	0.245%	2038		3,895	3,895
2005 Series C	Tax-Exempt	3.300% - 4.900%	2036	8,545		8,545
2005 Series D	Tax-Exempt	0.308%	2038		17,700	17,700
2005 Series E	Tax-Exempt	3.700% - 5.125%	2038	21,585		21,585
2006 Series A	Tax-Exempt	0.308%	2041		7,485	7,485
2006 Series A	Tax-Exempt	0.308%	2041		9,280	9,280
2006 Series A	Tax-Exempt	0.308%	2041		4,215	4,215
2007 Series A	Tax-Exempt	3.850% - 4.750%	2034	4,510		4,510
2007 Series B	Tax-Exempt	0.352%	2040		2,655	2,655
2007 Series B	Tax-Exempt	0.352%	2040		6,180	6,180
2007 Series C	Tax-Exempt	0.352%	2042		7,075	7,075
2007 Series C	Tax-Exempt	0.352%	2040		14,080	14,080
2008 Series A	Tax-Exempt	0.223%	2040		8,390	8,390
2008 Series B	Tax-Exempt					
2008 Series B	Tax-Exempt	0.243%	2036		24,785	24,785
2008 Series B	Tax-Exempt	0.243%	2038		28,025	28,025
2008 Series B	Tax-Exempt	0.243%	2042		22,205	22,205
2008 Series C	Tax-Exempt	0.267%	2038		8,725	8,725
2008 Series C	Tax-Exempt	0.267%	2036		14,320	14,320
2008 Series C	Tax-Exempt	0.267%	2038		5,000	5,000

Swaps

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Fixed payer	4.5850%	LIBOR @ 64%	7/12/00	2/1/31	1,445	(256)
Fixed payer	4.3950%	LIBOR @ 64%	11/16/00	2/1/31	14,345	(3,127)
Fixed payer	4.4520%	SIFMA less .20%	6/28/01	8/1/22	2,470	(362)
Fixed payer	4.7120%	SIFMA less .15%	6/28/01	2/1/36	47,755	(9,660)
Fixed payer	4.0290%	SIFMA less .20%	2/1/02	2/1/32	14,790	(1,629)
Fixed payer	4.2050%	SIFMA less .15%	2/1/02	8/1/36	43,125	(6,340)
Fixed payer	4.5950%	SIFMA less .15%	2/1/04	2/1/34	9,435	(1,793)
Fixed payer	4.5000%	SIFMA less .15%	8/1/02	8/1/32	16,980	(2,910)
Fixed payer	4.8900%	SIFMA less .15%	2/2/04	2/1/37	11,640	(2,662)
Fixed payer	4.0370%	SIFMA less .20%	2/1/03	2/1/35	24,670	(3,249)
Fixed payer	4.4050%	SIFMA less .15%	2/1/04	2/1/37	13,600	(2,413)
Fixed payer	4.6380%	SIFMA less .15%	8/1/05	8/1/37	16,030	(3,238)
Fixed payer	4.0850%	SIFMA less .20%	2/3/03	2/1/35	11,530	(1,648)
Fixed payer	4.1510%	SIFMA less .15%	2/3/03	2/1/34	15,045	(2,203)
Fixed payer	4.5710%	SIFMA less .15%	11/1/04	8/1/37	39,580	(8,088)
Fixed payer	3.5560%	LIBOR @ 60%+.26%	2/1/04	8/1/35	14,185	(866)
Fixed payer	4.0260%	LIBOR @ 60%+.26%	8/1/05	8/1/35	15,150	(1,197)
Fixed payer	4.1770%	LIBOR @ 60%+.26%	2/1/06	8/1/38	17,170	(1,471)
Fixed payer	3.0590%	LIBOR @ 60%+.21%	8/1/04	8/1/34	20,510	(1,744)
Fixed payer	3.6920%	LIBOR @ 60%+.26%	8/1/06	8/1/36	12,280	(1,531)
Fixed payer	3.3860%	LIBOR @ 60%+.26%	8/1/04	8/1/34	6,390	(290)
Fixed payer	3.3300%	LIBOR @ 60%+.26%	8/1/04	8/1/34	5,200	(421)
Fixed payer	4.9783%	SIFMA less .15%	8/1/06	2/1/39	14,790	(2,511)
Fixed payer	4.5390%	SIFMA less .15%	8/1/04	8/1/34	2,565	(340)
Fixed payer	3.4350%	LIBOR @ 60%+.21%	2/1/05	8/1/25	8,280	(925)
Fixed payer	3.5640%	SIFMA less .20%	7/1/05	8/1/35	2,300	(193)
Fixed payer	3.9540%	SIFMA less .15%	6/15/05	8/1/35	2,625	(239)
Fixed payer	4.0790%	SIFMA less .15%	2/1/07	2/1/37	24,960	(2,807)
Fixed payer	3.9570%	SIFMA less .15%	8/1/07	2/1/38	3,915	(355)
Fixed payer	3.7010%	LIBOR @ 60%+.26%	2/1/06	2/1/38	31,060	(4,716)
Fixed payer	4.042% + HR	97% SIFMA & HR	6/15/06	8/1/27	7,485	(845)
Fixed payer	4.381% + HR	97% SIFMA & HR	6/15/06	8/1/39	9,280	(1,121)
Fixed payer	4.492% + HR	97% SIFMA & HR	6/15/06	2/1/41	4,215	(523)
Fixed payer	3.9370%	LIBOR @ 64%+.25%	7/12/07	2/1/22	2,655	(307)
Fixed payer	4.2220%	LIBOR @ 64%+.25%	8/1/09	2/1/40	6,180	(1,125)
Fixed payer	3.7280%	LIBOR @ 63%+.30%	2/1/08	8/1/42	10,740	(830)
Fixed payer	3.9190%	LIBOR @ 63%+.30%	11/1/09	8/1/40	14,080	(2,196)
Fixed payer	3.2950%	LIBOR @ 61%+.24%	11/1/09	8/1/40	11,090	(1,373)
Fixed payer	2.3250%	SIFMA less ..5%	8/1/08	8/1/10	16,130	(29)
Fixed payer	3.3850%	SIFMA less .15%	8/1/03	8/1/36	24,785	(1,679)
Fixed payer	4.2950%	SIFMA less .15%	11/18/08	2/1/38	28,060	(2,810)
Fixed payer	3.8830%	LIBOR @ 60%+.26%	12/1/04	8/1/38	8,725	(1,689)
Fixed payer	3.9680%	LIBOR @ 60%+.26%	7/1/05	2/1/36	14,320	(2,686)
Fixed payer	4.0600%	LIBOR @ 60%+.26%	2/1/06	8/1/38	9,075	(1,943)

Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
			Bonds			
Affordable Multifamily Housing Revenue Bonds:						
2009 Series A	Taxable	0.010%	2051		380,530	380,530
				2,956,725	5,938,175	8,894,900
Unamortized discount						(722)
Unamortized premium						15,826
Unamortized deferred losses on refundings						(4,188)
Total Bonds				$ 2,956,725	$ 5,938,175	$ 8,905,816

Swaps						
Type	**Fixed Rate Paid By Agency**	**Floating Rate Received By Agency**	**Effective Date**	**Termination Date**	**Outstanding Notional/Applicable Amount**	**Fair Value**
					$ 3,427,210	$ (329,683)

Debenture Note Payable: In October 2004, a Development known as “Ridgeway Apartments,” situated in Marin City, California, defaulted on its loan, which was insured by FHA under the Risk Sharing Act, with 50% of the risk covered by FHA. In May 2005, the Agency submitted a claim under the Risk Sharing Act, which FHA paid on May 13, 2005, in the amount of $23,133,890, representing the unpaid principal balance of this loan in the amount of $22,117,043 plus unpaid interest of $1,016,847. On June 8, 2005, the amount representing the unpaid principal balance of the loan was used to redeem the respective multifamily housing revenue bonds issued to fund the loan, and the loan has been transferred to the Agency’s HAT.

In place of the bonds the Agency’s obligation is to HUD in the form of a “debenture note payable”, due May 13, 2010 with annual interest payments at a rate of 6.75%. The debenture note payable may be paid earlier upon the loan default being resolved (which may include the loan default being cured). The debenture note was fully paid on September 15, 2009.

Bank Bonds: Under standby bond purchase agreements for the Agency’s variable rate demand obligations “VRDO”, if the Agency’s variable rate bonds cannot be remarketed, the banks under the agreement are required to buy the bonds from the bondholders. These bonds may be remarketed or may be subject to mandatory redemptions at a later date. As of June 30, 2009, the Agency had a total outstanding bank bond balance of $325,970,000. As of June 30, 2010, the Agency had no outstanding bank bonds.

Note Payable: The Agency entered into a loan agreement with Citibank N.A. on March 1, 2010. The Agency received funds to use for special bond redemptions in exchange for a total note payable of $95,073,353. The loan is collateralized by the Multifamily loan receivables. The Agency collects and remits the mortgage payments less servicing fees to Citibank on 35 Multifamily loans. As of June 30, 2010, the Citibank loans note payable balance is $93,853,705, as included in Notes Payable in the combined balance sheets.

Changes in bonds and debenture notes payable for the year ended June 30, 2010 and 2009 are as follows (dollars in thousands):

	2010 Combined Totals	2009 Combined Totals
Beginning of year balance	$ 8,243,621	$ 8,617,579
New bonds issued	1,398,383	310,945
Scheduled maturities	(131,491)	(122,818)
Redemptions	(607,194)	(564,753)
Bond accretions	3,110	3,335
Amortized discount	64	61
Amortized premium	(1,700)	(1,238)
Amortized deferred loss	1,023	716
Additions to deferred loss		(179)
Reclassified premium as deferred loss		(27)
End of year balance	$ 8,905,816	$ 8,243,621
Current portion	$ 158,969	$ 136,370
Noncurrent portion	8,746,847	8,107,251
Total	$ 8,905,816	$ 8,243,621

Variable Rate Debt and Debt Service Requirements: The Agency's variable rate debt is typically related to common indices such as the Securities Industry and Financial Markets Association ("SIFMA") or the London Inter-Bank Offered Rate ("LIBOR") and resets periodically. The interest calculations shown in the table below are based on the variable rate in effect at June 30, 2010, and may not be indicative of the actual interest expense that will be incurred by the Fund. As rates vary, variable rate bond interest payments and net swap payments will vary. The table below provides a summary of debt service requirements and net swap payments for the next five years and in five year increments thereafter (dollars in thousands).

Fiscal Year	Fixed/Variable Unswapped		Variable Swapped		Interest Rate	
Ending June 30	Principal	Interest	Principal	Interest	Swaps, Net	Total
2011	$ 124,368	$157,375	$ 34,607	$ 13,022	$ 126,431	$ 455,803
2012	131,507	153,764	48,694	13,499	117,099	464,564
2013	126,590	151,936	62,277	13,229	108,230	462,261
2014	120,695	148,718	69,659	12,908	100,068	452,048
2015	123,664	144,718	76,828	12,581	92,493	450,284
2016-2020	707,654	635,342	473,054	57,229	365,998	2,239,277
2021-2025	738,804	489,248	556,237	46,340	242,689	2,073,318
2026-2030	786,414	338,427	686,709	34,932	159,558	2,006,039
2031-2035	758,582	212,541	785,363	18,203	77,068	1,851,758
2036-2040	573,226	88,660	314,419	4,706	14,652	995,663
2041-2045	1,162,328	15,869	49,946	513	358	1,229,014
2046-2050	2,745	4,995				7,740
2051-2055	380,530	1,504				382,034
Total	$ 5,737,107	$ 2,543,097	$ 3,157,793	$ 227,162	$ 1,404,644	$ 13,069,803

Objective of the Interest Rate Swaps*:* In order to protect against rising rates, the Agency primarily entered into swaps to establish synthetic fixed rates for a like amount of the Agency's variable rate bond obligations. The majority of the Agency's interest rate swap transactions are structured for the Agency to pay a fixed interest rate while receiving a variable interest rate (fixed payer swaps), the exceptions are listed under Basis Risk Associated with Interest Rate Swaps. Synthetic fixed rates provide the Agency with a significantly lower fixed cost of funds compared to issuing fixed-rate bonds; however, the increased risks related to the synthetic fixed rates have the effect of increasing costs to the Agency.

Terms, Fair Value and Credit Risk*:* The terms, including the fair values, of the outstanding fixed payer swaps as of June 30, 2010 are summarized in the previous bonds payable and swaps table. The terms, including fair values, of the outstanding basis swaps are summarized in the table under Basis Risk Associated with Interest Rate Swaps.

As of June 30, 2010, the fair value of the swaps is reported as "Derivative Swap Asset" within "Other assets and deferred outflow" in the combined balance sheets or as "Derivative Swap Liability" within "Other liabilities and deferred inflow." The cumulative gain or loss on the fair value of the effective swaps is reported as "Other assets and deferred outflows" or "Other liabilities and deferred inflows" in the combined balance sheets. Alternatively, the gain or loss on the fair value of the ineffective swaps is reported as "Investment revenues" in "Other revenues" in the combined statements of revenues, expenses and changes in Fund equity. The Agency did not pay or receive any cash when the swap transactions were initiated except for in-substance assignments. The following table summarizes the swap fair value activity in the combined balance sheets and the combined statements of revenues, expenses, and changes in Fund equity (dollars in thousands):

	As of and for the Fiscal Year Ended June 30, 2010
Combined Balance Sheets:	
Derivative swap asset	$ 287
Other assets and deferred outflows	292,762
Derivative swap liability	329,689
Combined Statements of Revenues, Expenses, and Changes in Fund Equity:	
Investment revenues	$ (26,815)

Except as discussed under rollover risk, the Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

As of June 30, 2010, the Agency executes interest rate swap transactions with 13 swap counterparties. All of the Agency's interest rate swap agreements require the Agency to post collateral if its general obligation credit ratings, as issued by Moody's and Standard and Poor's fall below a certain level or if the fair value of the swaps fall below a certain threshold. The collateral can be posted in several forms in the amount of the fair value of the interest rate swaps. If the Agency does not post collateral, the interest rate swap can be terminated by the counterparty. As of June 30, 2010, the Agency had a total cash and fair market value of Fannie Mae securities posted as collateral with swap counterparties in the amount of $33,420,000 and $42,856,934, respectively, as included in "Other assets" and "Investments" in the combined balance sheets.

Because interest rates are generally lower than the rates in effect at inception of the swap agreements, the Agency's fixed payer swap agreements had an aggregate negative fair value of $329,683,000 as of June 30, 2010. Fair values are as reported by the Agency's dealer counterparties and are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

As of June 30, 2010, the Agency's swap portfolio had an aggregate asset position of $287,000. This represents the maximum loss that would be reported at the reporting date if all counterparties failed to perform as contracted. However, this maximum exposure is eliminated by $329,688,000 in swap liabilities. Therefore, the Agency has no net exposure to credit risk.

The table below shows the number of fixed payer swaps and outstanding notional amounts by the counterparties' respective credit ratings (dollars in thousands).

Moody's	Standard & Poors	Outstanding Notional Amount	Number of Swap Transactions
Aaa	AA	$ 25,000	1
Aa1	AAA	302,555	10
Aa1	AA-	862,380	22
Aa2	AA	73,705	2
Aa3	AAA	71,845	7
Aa3	A+	396,565	18
A1	A+	27,220	2
A2	A	980,350	37
A3	A	453,905	12
A3	A-	233,685	8
		$ 3,427,210	119

Interest Rate Risk: The Agency is exposed to interest rate risk on its fixed payer swaps. As the LIBOR or the SIFMA swap index decreases, the Agency's net payments on the swaps increase.

Basis Risk: All of the Agency's interest rate swaps contain an element of basis risk, the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because floating rates paid by swap counterparties are based on indices, which consist of market-wide averages, while interest paid on the Agency's variable rate bonds is specific to individual bond issues.

Historically, the Agency's variable rate tax-exempt bonds trade at a slight discount to the SIFMA index. For those swaps associated with tax-exempt bonds for which the Agency receives a variable rate payment based on a percentage of LIBOR, the Agency is exposed to basis risk should the relationship between SIFMA and LIBOR converge.

Four swap formulas have been used by the Agency beginning with 65% of LIBOR, then 60% of LIBOR plus 0.26%, then 64% of LIBOR plus 0.25%, and finally, 63% plus of LIBOR plus 0.24%. As of June 30, 2010, the SIFMA rate was 0.25%, 65% of the one-month LIBOR was 0.22% and 63% of the one-month LIBOR plus 0.24% was 0.46%. The swap formula will continue to be monitored for its effectiveness in the case that the Agency chooses to enter into any future interest rate swaps. In addition, the Agency holds 8 basis swaps as a means to change the variable rate formula received for $261,405,000 of swap notional amount. These basis swaps changed the variable rate formula received from counterparties from 65% of LIBOR to those described in the following table (dollars in thousands):

Bond Issue	Variable Rate Paid By Agency	Floating Rate Received By Agency */**	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Home Mortgage Revenue Bonds:						
2000 Series C	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	2/1/17	$ 37,345	$ 73
2000 Series J	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/30	25,225	
2000 Series U	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/15	26,080	51
2000 Series X-2	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/31	28,165	13
2001 Series N	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/18	12,135	20
2002 Series B	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/27	38,780	(3)
2002 Series F	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	2/1/24	52,075	54
2002 Series M	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/22	41,600	78
					$ 261,405	$ 286

* The notional amount and the amortization of these swaps mirror the initial 65% of LIBOR swaps, basically overlaying the swaps so that the effective rate received from the counterparties are the rates shown in the table above.

**The variable interest rate received by the counterparties is dependent on the LIBOR interest rate at the time of settlement. The rate shown in the table is the effective rate at June 30, 2010.

Termination Risk: Counterparties to the Agency's interest rate swap agreements have ordinary termination rights that require settlement payments by the Agency or the counterparty based on the fair value of the swap at the date of termination.

Rollover Risk: The Agency is exposed to rollover risk on interest rate swaps that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these swaps terminate, the Agency will be re-exposed to the risks being hedged by the swaps. The fixed payer interest rate swaps' termination dates and associated debts' maturities are listed in the previous bonds payable and interest rate swap table.

Overhedged Bonds: All notional amounts (or "applicable amounts") of the fixed payer swaps match the principal amounts of the associated debt with the following exceptions (dollars in thousands):

Bond Issue	Bonds Outstanding	Swap Notional Amount	Unmatched Swap	Fair Value
Home Mortgage Revenue Bonds				
2000 Series C *		$ 37,345	$ 37,345	$ 73
2000 Series J *	$ 15,800	23,545	7,745	(1,657)
2000 Series N	28,190	29,915	1,725	(7)
2000 Series U *		26,080	26,080	51
2000 Series X2 *	23,190	28,165	4,975	(914)
2001 Series N *		10,780	10,780	(906)
2001 Series U	49,610	51,040	1,430	(160)
2002 Series F *		45,070	45,070	(5,337)
2002 Series P		53,670	53,670	(4,858)
2002 Series Q	12,975	13,310	335	(27)
2003 Series D	35,640	35,725	85	(3)
2003 Series F	44,210	44,680	470	(15)
2003 Series M	47,790	48,270	480	(24)
2004 Series E	50,690	51,755	1,065	(71)
2004 Series I		5,305	5,305	(83)
2004 Series I		17,065	17,065	(1,834)
2005 Series B	37,640	37,830	190	(9)
2005 Series G		12,225	12,225	(217)
2005 Series G		19,060	19,060	(443)
2006 Series A		31,535	31,535	(681)
2006 Series F	43,130	60,000	16,870	(2,099)
2008 Series E	7,865	19,055	11,190	(45)
2008 Series I	13,990	40,785	26,795	(6,747)
Multifamily Housing Revenue Bonds III:				
2000 Series D	13,495	14,345	850	(185)
2001 Series D	720	2,470	1,750	(257)
2001 Series F	13,240	14,790	1,550	(171)
2001 Series G	41,400	43,125	1,725	(254)
2002 Series A	9,330	16,980	7,650	(1,311)
2002 Series A	7,385	11,640	4,255	(973)
2002 Series C	6,295	13,600	7,305	(45)
2002 Series C	15,805	16,030	225	(1,296)
2002 Series D	4,305	11,530	7,225	(1,033)
2003 Series C	13,930	14,185	255	(16)
2003 Series C	14,135	15,150	1,015	(80)
2003 Series C	14,205	17,170	2,965	(254)
2004 Series A	19,025	20,510	1,485	(126)
2004 Series B	12,260	12,280	20	(2)
2004 Series B	6,365	6,390	25	(1)
2004 Series B	1,725	2,565	840	(111)
2004 Series C	8,150	8,280	130	(15)
2005 Series B	2,620	2,625	5	
2005 Series B	15,835	24,960	9,125	(1,026)
2005 Series B	3,895	3,915	20	(2)
2005 Series D	17,700	31,060	13,360	(2,029)
2007 Series C	7,075	10,740	3,665	(283)
2008 Series A	8,390	11,090	2,700	(334)
2008 Series B		16,130	16,130	(29)
2008 Series B	28,025	28,060	35	(4)
2008 Series C	5,000	9,075	4,075	(873)
Total	$ 701,030	$ 1,120,905	$ 419,875	$ (36,723)

*Includes Basis Swap.

Borrowings Payable for Interest Rate Swaps: The Agency transfers excess interest rate swap notional (or applicable) amounts between variable rate bond series. Generally, the transfers result in derivative instruments with off-market terms. The Agency establishes a borrowing payable in the amount of the swap fair value at the time of transfer and amortizes it over the life of the swap. The borrowing payable is reported as "Other liabilities and deferred inflows" in the combined balance sheets and the amortization is reported as "Interest" in the combined statements of revenues, expenses, and changes in Fund equity. The borrowings payable as of June 30, 2010 are as follows (dollars in thousands):

	Maturity Date	Outstanding
Home Mortgage Revenue Bonds:		
2008 Series C	2/1/23	$ 452
2008 Series C	8/1/22	1,425
2008 Series C	8/1/24	1,439
2008 Series C	2/1/24	764
2008 Series C	8/1/32	819
2008 Series D	2/1/21	1,246
2008 Series D	8/1/30	412
2008 Series D	8/1/20	292
2008 Series D	8/1/18	127
2008 Series D	8/1/32	344
2008 Series E	8/1/15	1,425
2008 Series I	8/1/14	791
Multifamily Housing Revenue Bonds III		
2008 Series C	8/1/38	699
2008 Series C	2/1/36	1,194
2008 Series C	8/1/38	899
Total		$ 12,328

The following table provides a summary of the amortization of the borrowings payable for the next five years and in five year increments thereafter (dollars in thousands):

Fiscal Year Ending June 30	Amortization
2011	$ 1,646
2012	1,464
2013	1,226
2014	968
2015	776
2016-2020	3,140
2021-2025	1,961
2026-2030	832
2031-2035	271
2036-2038	44
Total	$ 12,328

Note 8 – NONMORTGAGE INVESTMENT AND MORTGAGE YIELD

In accordance with Federal law, the Agency is required to rebate to the Internal Revenue Service ("IRS") the excess of the amount actually earned on all nonmortgage investments (derived from investing the bond proceeds) over the amount that would have been earned had those investments borne a rate equal to the yield on the bond issue, plus any income attributable to such excess. As of June 30, 2010 and 2009, the Fund had liabilities to the IRS totaling $4,972,000 and $7,590,000 respectively reported in the combined balance sheets as "Due to other Government entities." The net effect of changes in the liability account has been recorded as an increase in "Interest income from investments" in the combined statements of revenues, expenses and changes in Fund equity.

Additionally, the Agency has identified all the bond series that were issued as variable rate plans of finance and subject to review and monitoring of mortgage yield excess. Most of the excess yield occurred between 2000 and 2005 when bond variable rates were low compared to mortgage rates. As of June 30, 2010 and 2009, the Fund had liabilities to the IRS totaling $14,417,000 and $11,840,000 respectively reported in the combined balance sheets as "Due to other Government entities." The net effect of this change is recorded as an increase in "Interest income from program loans and loan agreements" in the combined statements of revenues, expenses and changes in Fund equity. The Agency will continue to monitor the status of mortgage yield compliance to mitigate further liability.

Note 9 – EXTINGUISHMENT OF DEBT

For the year ended June 30, 2010, the Agency did not economically refund any of its bond indebtedness and therefore incurred no loss on the extinguishment of debt. However, the Agency recorded a gain of $3,130,935 on early extinguishment of debt. For the year ended June 30, 2009, the Agency extinguished certain Homeownership Program debt. A summary of the loss from the extinguishment of Homeownership Programs' debt is as follows (dollars in thousands):

Unmatured principal	$	38,390
Unamortized bond issuance costs		(61)
Unamortized underwriter's fees		(145)
Unamortized premiums		27
Net obligation defeased		38,211
Less proceeds disbursed		38,390
Deferred loss on defeasance	$	(179)

Note 10 – PENSION PLAN AND OTHER EMPLOYEE BENEFITS

The Fund contributes to the Public Employees' Retirement Fund ("PERF") as part of the State of California, the primary government. The PERF is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employment Retirement System ("CalPERS"). CalPERS provides retirement, death, disability and post retirement health care benefits to members as established by state statute. CalPERS issues a publicly available Comprehensive Annual Financial Report ("CAFR") that includes financial statements and required supplementary information for the Public Employees' Retirement Fund. A copy of that report may be obtained from CalPERS, Central Supply, P.O. Box 942715, Sacramento, CA 95229-2715 or via the internet at www.calpers.ca.gov.

For the CalPERS fiscal years ended June 30, 2010 and 2009 the employer contribution rates were 16.917% - 16.737% and 16.574% - 16.633%, respectively.

The Fund's contributions to the PERF for the years ended June 30, 2010 and 2009 were $5,335,130 and $2,551,982, respectively, equal to the required contributions for each fiscal year.

Required contributions are determined by actuarial valuation using the individual entry age normal actuarial cost method. The most recent actuarial valuation available is as of June 30, 2007 which actuarial assumptions included (a) 7.75% investment rate of return compounded annually, (b) projected salary increases that vary based on duration of service, and (c) overall payroll growth factor of 3.25% annually. Both (a) and (c) included an inflation component of 3% compounded annually and a .25% per annum productivity increase assumption.

The most recent actuarial valuation of the PERF indicated that there was an unfunded actuarial accrued liability. The amount of the under funded liability applicable to each agency or department cannot be determined. For trend information, which presents CalPERS progress in accumulating sufficient assets to pay benefits when due, please see the June 30, 2010 CalPERS CAFR.

GASB Statement 45 requires states and local governments to publicly disclose the future dollar amount of their obligations to pay for Other Postemployment Benefits "OPEB", like healthcare, that are provided to retired employees, including retired public employees. The OPEB is a cost-sharing multiple-employer defined benefit healthcare plan administered by CalPERS. The State of California is required to include the information in its financial reports. State Controller's Office sets the employer contribution rate based on the annual required contribution of the employers "ARC", an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Agency's estimated unfunded OPEB costs were $7,382,000 and $4,594,000 for the year ended June 30, 2010 and June 30, 2009. This liability was added to Personal Services at the end of fiscal year. CalPERS issues a publicly available CAFR that includes financial statements and required supplementary information for the OPEB.

Note 11 – COMMITMENTS

As of June 30, 2010, the Agency had outstanding commitments and conditionally approved loan reservation to fund Homeownership Program loans totaling $670,160 and had no outstanding commitments to fund Multifamily Program loans. As of June 30, 2010, the Agency had proceeds available from bonds issued to fund $57,440,115 of Homeownership Program loans and $11,212,504 of Multifamily Program loans.

Note 12 – ARRANGEMENTS WITH THE MORTGAGE INSURANCE FUND

All operating and administrative expenses of the Agency are initially paid from the Fund including certain operating and administrative expenses in support of mortgage guarantee insurance programs which are reported in the Mortgage Insurance Fund. Quarterly the Fund charges the Mortgage Insurance Fund for these expenses.

The Agency Board of Directors approved Resolution 03-19 on March 20, 2003 authorizing the Agency to utilize the resources of the fund to support the mortgage guaranty insurance programs of the Agency in the following two ways: 1) the Executive Director of the Agency is authorized to create one or more supplementary reserve accounts within the Supplementary Bond Security Account of the Fund to indemnify the Mortgage Insurance Fund for losses incurred or to pay claims against the Mortgage Insurance Fund in connection with loans financed by the Agency, and 2) the Executive Director of the Agency may establish an inter-fund credit agreement by which the Mortgage Insurance Fund may borrow such sums from the Fund as may be required to maintain the claims paying rating of any credit rating service.

Subsequently, the Agency Executive Director established an inter-fund credit agreement in the amount of $10,000,000 in which the Mortgage Insurance Fund may borrow from the Fund as needed for the purpose of paying claims arising out of policies of mortgage guarantee insurance and costs and expenses related to the payment of such claims. Interest rate(s) and repayment terms are determined upon receipt of a request to draw on this credit facility. The Mortgage Insurance Fund had not requested a draw on this credit through June 30, 2010.

In March 2010, the Acting Executive director, under authority provided in Board Resolution 03-19, amended the Interfund Indemnity Agreement. Resolution 03-19 authorized the Executive Director of the Agency to create one or more supplementary reserve accounts within the Supplementary Bond Security Account of CHFF to indemnify the Mortgage Insurance Fund for losses incurred or to pay claims 2010, the amendment places a limitation on the indemnity obligation to an aggregate amount not to exceed $135 million.

On April 14, 2010, the Reinsurance Treaty with Genworth was amended. The amendment confirms Genworth will pay reinsurance amount (75% of net loss) payable under the Reinsurance Agreement directly to servicers acting on behalf of the Insureds and not to the Fund or the Agency.

Note 13 – LITIGATION

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against the Agency. Based upon information available to the Agency, its review of such lawsuits and claims and consultation with counsel, the Agency believes the liability relating to these actions, if any, would not have a material adverse effect on the Fund's combined financial statements.

Note 14 – RESTATEMENT OF BEGINNING FUND EQUITY

The beginning fund equity balance at July 1, 2009 has been restated in fiscal year 2010 to reflect the cumulative effect of adoption of GASB 53 from prior years as shown on the Statements of Revenue, Expenses and Changes in Fund Equity. Beginning fund equity balance at July 1, 2009 has been restated as follows:

		July 1, 2009
Fund equity at beginning of year, as originally stated	$	1,747,468
Cumulative effect of adoption of GASB 53		(19,297)
Fund equity at beginning of year, as restated	$	1,728,171

Note 15 – SUBSEQUENT EVENTS

In August 2010, the HHF received an additional $476,257,070 in federal funding for unemployment programs and another allocation of $799,476,956 was added in September 2010. The HHF now has a total of $1,975,334,026 for programs that will be able to assist struggling homeowners throughout the State. The programs under HHF will be voluntary. The Agency intends to participate in each program as is currently involved in beta testing a few of the programs.

On September 1, 2010, the Federal Government extended the deadline to draw funds from escrow for the NIBP program from December 31, 2010 to December 31, 2011 and increased the maximum number of permitted draws from escrow from three to six (no more than one draw is permitted in any 30-day period). Also, the Agency has the option to relock the current interest rate of 3.49% at a lower rate.

On October 26, 2010, Moody's Investors Services downgraded the Agency's issuer credit rating to A2 from A1 with negative outlook. The downgrade is based on the erosion of the Agency's fund balances, profitability and liquidity as a result of single family mortgage loan delinquencies and foreclosures, risks related to the Agency's high level exposure of variable rate debt, and uncertainty about future financial growth.

This does not affect the rating on the Agency's HMRB which was confirmed at A3 with a negative outlook and taken off of the watchlist. Despite a severe increase in mortgage delinquencies and foreclosures, Moody's expects the HMRB program will have sufficient resources to withstand stress losses at a level consistent with the current rating. Additionally, strong efforts by management to enhance the servicing of delinquent loans, a moderate improvement in delinquency trends over the past six months, and the availability of the $1,975,334,026 of federal HHF aid being administered by CalHFA are factors that point to moderation of mortgage losses going forward.

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CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING BALANCE SHEET
WITH ADDITIONAL COMBINING INFORMATION
June 30, 2010
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,072,579	$ 382,694	$ 57,142	$ 1,512,415
Investments	1,071,804	116,218	873,567	2,061,589
Current portion - program loans receivable	89,214	61,095	103,440	253,749
Interest receivable - Program loans	23,753	6,631	5,024	35,408
Interest receivable - Investments	5,702	703	1,456	7,861
Accounts receivable	20,480	-	8,302	28,782
Due from (to) other funds	(43,120)	(205)	43,325	-
Other assets	61	441	33,499	34,001
Total current assets	2,240,473	567,577	1,125,755	3,933,805
Noncurrent assets:				
Investments	154,175	12,134	43,419	209,728
Program loans receivable	5,209,348	1,083,656	597,715	6,890,719
Due from (to) other funds	-	-	-	-
Deferred financing costs	29,040	5,096	20	34,156
Other assets and deferred outflow	200,613	77,629	216,351	494,593
Total Noncurrent assets	5,593,176	1,178,515	857,505	7,629,196
Total Assets	$ 7,833,649	$ 1,746,092	$ 1,983,260	$ 11,563,001
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Bonds payable	$ 132,112	$ 26,857	-	$ 158,969
Interest payable	60,948	18,142	$ 44,121	123,211
Due to (from) other government entities	(61)	-	97,809	97,748
Compensated absences	-	-	4,358	4,358
Deposits and other liabilities	45,951	602	346,911	393,464
Total current liabilities	238,950	45,601	493,199	777,750
Noncurrent liabilities:				
Bonds and debenture notes payable	7,238,650	1,508,199	93,854	8,840,703
Due to (from) other government entities	8,982	9,859	547	19,388
Other liablities and deferred inflow	-	91,131	250,885	342,016
Deferred revenues	7,408	13	21,740	29,161
Total noncurrent liabilities	7,255,040	1,609,202	367,026	9,231,268
Total Liabilities	7,493,990	1,654,803	860,225	10,009,018
Fund equity				
Invested in capital assets	-	-	866	866
Restricted by indenture	339,659	91,289	-	430,948
Restricted by statute	-	-	1,122,169	1,122,169
Total Fund equity	339,659	91,289	1,123,035	1,553,983
Total Liabilities and Fund equity	$ 7,833,649	$ 1,746,092	$ 1,983,260	$ 11,563,001

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY WITH ADDITIONAL COMBINING INFORMATION
June 30, 2010
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements -- net	$ 293,956	$ 76,326	$ 22,708	$ 392,990
Interest income - Investments -- net	25,318	3,724	11,180	40,222
Increase (decrease) in fair value of investments	17,612	(33)	1,315	18,894
Loan commitment fees	165	-	1,108	1,273
Other loan fees	-	146	27,699	27,845
Other revenues	3,689	(11,492)	56,600	48,797
Total Operating revenues	340,740	68,671	120,610	530,021
OPERATING EXPENSES				
Interest	169,367	52,933	95,721	318,021
Amortization of bond discount and bond premium	(1,409)	798	-	(611)
Mortgage servicing fees	16,276	7	194	16,477
Provision (reversal) for estimated loan losses	39,731	(9,479)	21,281	51,533
Operating expenses	-	-	42,536	42,536
Other expenses	86,072	27,416	177,115	290,603
Total Operating expenses	310,037	71,675	336,847	718,559
Operating income (loss) before transfers	30,703	(3,004)	(216,237)	(188,538)
Transfers (interfund)	-	-	14,350	14,350
Transfers (intrafund)	(146,015)	17,780	128,235	-
Increase (decrease) in fund equity	(115,312)	14,776	(73,652)	(174,188)
Fund equity at beginning of year, as originally stated	454,971	79,469	1,213,028	1,747,468
Cumulative effect of adoption of GASB 53	-	(2,956)	(16,341)	(19,297)
Fund equity at beginning of year, as restated	454,971	76,513	1,196,687	1,728,171
Fund equity at end of year	$ 339,659	$ 91,289	$ 1,123,035	$ 1,553,983

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS
WITH ADDITIONAL COMBINING INFORMATION
June 30, 2010
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 297,397	$ 77,258	$ 20,021	$ 394,676
Payments to suppliers	(17,611)	(195)	(16,884)	(34,690)
Payments to employees	-	-	(26,045)	(26,045)
Internal activity - payments other funds	-	-	-	-
Other receipts (payments)	641,268	126,792	(189,652)	578,408
Net cash provided by (used for) operating activities	921,054	203,855	(212,560)	912,349
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	(146,015)	17,780	128,235	-
Changes in due to (from) other government entities	2,191	-	(159,662)	(157,471)
Net cash provided by (used for) noncapital financing activities	(143,824)	17,780	(31,427)	(157,471)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds and notes payable	1,016,440	381,943	94,432	1,492,815
Payment of bond principal	(92,734)	(38,757)	(578)	(132,069)
Early bond redemptions	(439,031)	(145,030)	(23,134)	(607,195)
Interest paid on debt	(194,050)	(58,257)	(106,078)	(358,385)
Interfund transfers	-	-	14,350	14,350
Decrease (increase) in deferred financing costs	(1,071)	(431)	-	(1,502)
Net cash provided by (used for) capital and related financing activities	289,554	139,468	(21,008)	408,014
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	2,033,230	187,778	31,068,815	33,289,823
Purchase of investments	(2,067,378)	(174,518)	(30,861,683)	(33,103,579)
Interest on investments	26,030	4,058	14,063	44,151
Net cash provided by (used for) investing activities	(8,118)	17,318	221,195	230,395
Net increase (decrease) in cash and cash equivalents	1,058,666	378,421	(43,800)	1,393,287
Cash and cash equivalents at beginning of year	13,913	4,273	100,942	119,128
Cash and cash equivalents at end of year	$ 1,072,579	$ 382,694	$ 57,142	$ 1,512,415
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	30,703	(3,004)	(216,237)	(188,538)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	169,367	52,933	95,721	318,021
Interest on investments	(25,318)	(3,724)	(11,180)	(40,222)
Changes in fair value of investments	(17,612)	33	(1,315)	(18,894)
Accretion of capital appreciation bonds	3,110	-	-	3,110
Amortization of bond discount	36	28	-	64
Amortization of deferred losses	254	770	-	1,024
Amortization of bond issuance costs	4,263	1,417	10	5,690
Amortization of bond premium	(1,700)	-	-	(1,700)
Amortization of deferred revenue	(165)	-	(1,108)	(1,273)
Depreciation	-	-	218	218
Provision (reversal for estimated loan losses	39,731	(9,479)	21,281	51,533
Provision for yield reduction payments	4,327	(1,751)	-	2,576
Provision for nonmortgage investment excess	(2,542)	(624)	548	(2,618)
Changes in certain assets and liabilities:				
Sale (Purchase) of program loans-net	635,342	65,833	(805,403)	(104,228)
Collection of principal from program loans - net	20,251	90,306	691,559	802,116
Interest receivable	3,441	932	(2,686)	1,687
Accounts receivable	(7,593)	-	(1,466)	(9,059)
Due from (to) other funds	19,890	(40)	(19,850)	-
Other assets and deferred outflow	30	(77,598)	(248,819)	(326,387)
Compensated absences	-	-	2,041	2,041
Deposits and other liab	40,476	(352)	54,441	94,565
Other liabilities and deferred inflow	4,763	88,175	229,685	322,623
Net cash provided by (used for) operating activities	$ 921,054	$ 203,855	$ (212,560)	$ 912,349

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL BALANCE SHEET
HOMEOWNERSHIP PROGRAMS
June 30, 2010
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	**SINGLE FAMILY MORTGAGE BONDS II**	**DRAW DOWN BONDS**	**SINGLE FAMILY HOUSING PROGRAM BONDS**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 55,296	$ -	$ 22	$ 32
Investments	1,058,051	-	89	3,091
Current portion - program loans receivable	88,519	-	-	-
Interest receivable - Program loans	23,333	-	-	165
Interest receivable - Investments	5,690	-	-	4
Accounts receivable	20,452	-	-	-
Due from (to) other funds	(43,031)	-	-	128
Other assets	61	-	-	-
Total current assets	1,208,371	-	111	3,420
Noncurrent assets:				
Investments	154,175	-	-	-
Program loans receivable	5,105,173	-	-	60,534
Due from (to) other funds	-	-	-	-
Deferred financing costs	27,852	-	-	559
Other assets and deferred outflow	200,073	-	-	-
Total Noncurrent assets	5,487,273	-	-	61,093
Total Assets	$ 6,695,644	$ -	$ 111	$ 64,513
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Bonds payable	$ 130,582	$ -	$ -	$ -
Interest payable	57,087	-	-	1,107
Due to (from) other government entities	(61)	-	-	-
Compensated absences	-	-	-	-
Deposits and other liabilities	45,914	-	-	25
Total current liabilities	233,522	-	-	1,132
		-		
Noncurrent liabilities:				
Bonds and debenture notes payable	6,092,713	-	-	81,745
Due to (from) other government entities	8,982	-	-	-
Other liablities and deferred inflow	-	-	-	-
Deferred revenues	7,380	-	-	-
Total noncurrent liabilities	6,109,075	-	-	81,745
Total Liabilities	6,342,597	-	-	82,877
Fund equity				
Invested in capital assets	-	-	-	-
Restricted by indenture	353,047	-	111	(18,364)
Restricted by statute	-	-	-	-
Total Fund equity	353,047	-	111	(18,364)
Total Liabilities and Fund equity	$ 6,695,644	$ -	$ 111	$ 64,513

SINGLE FAMILY HOME MORTGAGE BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS	TOTAL HOMEOWNERSHIP PROGRAMS
$ 276	$ 1,016,953	$ 1,072,579
10,573	-	1,071,804
695	-	89,214
255	-	23,753
8	-	5,702
28	-	20,480
(217)	-	(43,120)
-	-	61
11,618	1,016,953	2,240,473
-	-	154,175
43,641	-	5,209,348
-	-	-
107	522	29,040
540	-	200,613
44,288	522	5,593,176
$ 55,906	$ 1,017,475	$ 7,833,649
$ 1,530	$ -	$ 132,112
2,241	513	60,948
-	-	(61)
-	-	-
12	-	45,951
3,783	513	238,950
47,752	1,016,440	7,238,650
-	-	8,982
-	-	-
28	-	7,408
47,780	1,016,440	7,255,040
51,563	1,016,953	7,493,990
-	-	-
4,343	522	339,659
-	-	-
4,343	522	339,659
$ 55,906	$ 1,017,475	$ 7,833,649

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
HOMEOWNERSHIP PROGRAM
June 30, 2010
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY MORTGAGE BONDS II	DRAW DOWN BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements -- net	$ 288,245	$ 2,339	$ -	$ 522
Interest income - Investments -- net	24,248	223	1	272
Increase (decrease) in fair value of investments	16,853	592	-	-
Loan commitment fees	153	10	-	-
Other loan fees	-	-	-	-
Other revenues	3,700	-	-	(11)
Total Operating revenues	333,199	3,164	1	783
OPERATING EXPENSES				
Interest	160,321	1,139	-	3,330
Amortization of bond discount and bond premium	(1,438)	17	-	-
Mortgage servicing fees	15,988	134	-	-
Provision (reversal) for estimated loan losses	30,794	(7)	-	8,900
Operating expenses	-	-	-	-
Other expenses	83,537	167	-	1,833
Total Operating expenses	289,202	1,450	-	14,063
Operating income (loss) before transfers	43,997	1,714	1	(13,280)
Transfers (interfund)	-	-	-	-
Transfers (intrafund)	(118,319)	(35,457)	-	6,344
Increase (decrease) in fund equity	(74,322)	(33,743)	1	(6,936)
Fund equity at beginning of year, as originally stated	427,369	33,743	110	(11,428)
Cumulative effect of adoption of GASB 53	-	-	-	-
Fund equity at beginning of year, as restated	427,369	33,743	110	(11,428)
Fund equity at end of year	$ 353,047	$ -	$ 111	$ (18,364)

SINGLE FAMILY HOME MORTGAGE BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS	TOTAL HOMEOWNERSHIP PROGRAMS
$ 2,850	$ -	$ 293,956
61	513	25,318
167	-	17,612
2	-	165
-	-	-
-	-	3,689
3,080	513	340,740
4,064	513	169,367
12	-	(1,409)
154	-	16,276
44	-	39,731
-	-	-
13	522	86,072
4,287	1,035	310,037
(1,207)	(522)	30,703
-	-	-
373	1,044	(146,015)
(834)	522	(115,312)
5,177	-	454,971
-	-	-
5,177	-	454,971
$ 4,343	$ 522	$ 339,659

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENT OF CASH FLOWS -
HOMEOWNERSHIP PROGRAMS
June 30, 2010
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY MORTGAGE BONDS II	DRAW DOWN BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 291,410	$ 2,603	$ -	$ 532
Payments to suppliers	(17,272)	(156)	-	(20)
Payments to employees	-	-	-	-
Internal activity - payments other funds	-	-	-	-
Other receipts (payments)	584,661	53,130	-	(191)
Net cash provided by operating activities	858,799	55,577	-	321
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	(118,319)	(35,457)	-	6,344
Changes in due to (from) other government entities	2,191	-	-	-
Net cash provided by (used for) noncapital financing activities	(116,128)	(35,457)	-	6,344
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds and notes payable	-	-	-	-
Payment of bond principal	(89,509)	(2,595)	-	-
Early bond redemptions	(403,121)	(27,955)	-	(7,955)
Interest paid on debt	(185,970)	(1,836)	-	(3,944)
Interfund transfers	-	-	-	-
Decrease (increase) in deferred financing costs	(21)	-	-	-
Net cash provided by (used for) capital and related financing activities	(678,621)	(32,386)	-	(11,899)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	1,979,985	34,837	-	12,025
Purchase of investments	(2,026,630)	(23,397)	-	(7,328)
Interest on investments	24,766	366	1	299
Net cash provided by (used for) investing activities	(21,879)	11,806	1	4,996
Net increase (decrease) in cash and cash equivalents	42,171	(460)	1	(238)
Cash and cash equivalents at beginning of year	13,125	460	21	270
Cash and cash equivalents at end of year	$ 55,296	$ -	$ 22	$ 32
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ 43,997	$ 1,714	$ 1	$ (13,280)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	160,321	1,139	-	3,330
Interest on investments	(24,248)	(223)	(1)	(272)
Changes in fair value of investments	(16,853)	(592)	-	-
Accretion of capital appreciation bonds	3,110	-	-	-
Amortization of bond discount	36	-	-	-
Amortization of deferred losses	226	17	-	-
Amortization of bond issuance costs	3,527	135	-	73
Amortization of bond premium	(1,700)	-	-	-
Amortization of deferred revenue	(153)	(10)	-	-
Depreciation	-	-	-	-
Provision (reversal for estimated loan losses	30,794	(7)	-	8,900
Provision for yield reduction payments	4,327	-	-	-
Provision for nonmortgage investment excess	(1,243)	(944)	-	(355)
Changes in certain assets and liabilities:				
Sale (Purchase) of program loans-net	(31,377)	666,718	-	-
Collection of principal from program loans - net	632,297	(617,422)	-	2,044
Interest receivable	3,165	265	-	10
Accounts receivable	(7,763)	153	-	-
Due from (to) other funds	19,547	7	-	16
Other assets and deferred outflow	30	-	-	-
Compensated absences	-	-	-	-
Deposits and other liab	40,641	(18)	-	(145)
Other liabilities and deferred inflow	118	4,645	-	-
Net cash provided by operating activities	$ 858,799	$ 55,577	$ -	$ 321

SINGLE FAMILY HOME MORTGAGE BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS	TOTAL HOMEOWNERSHIP PROGRAMS
$ 2,852	$ -	$ 297,397
(163)	-	(17,611)
-	-	-
-	-	-
3,668	-	641,268
6,357	-	921,054
373	1,044	(146,015)
-	-	2,191
373	1,044	(143,824)
-	1,016,440	1,016,440
(630)	-	(92,734)
-	-	(439,031)
(2,300)	-	(194,050)
-	-	-
(6)	(1,044)	(1,071)
(2,936)	1,015,396	289,554
6,383	-	2,033,230
(10,023)	-	(2,067,378)
85	513	26,030
(3,555)	513	(8,118)
239	1,016,953	1,058,666
37	-	13,913
$ 276	$ 1,016,953	$ 1,072,579
$ (1,207)	$ (522)	$ 30,703
4,064	513	169,367
(61)	(513)	(25,318)
(167)	-	(17,612)
-	-	3,110
-	-	36
11	-	254
6	522	4,263
-	-	(1,700)
(2)	-	(165)
-	-	-
44	-	39,731
-	-	4,327
-	-	(2,542)
1	-	635,342
3,332	-	20,251
1	-	3,441
17	-	(7,593)
320	-	19,890
-	-	30
-	-	-
(2)	-	40,476
-	-	4,763
$ 6,357	$ -	$ 921,054

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL BALANCE SHEET
MULTIFAMILY RENTAL HOUSING PROGRAMS
June 30, 2010
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,380	$ 28	$ 555	$ 9
Investments	-	8,730	97,158	10,330
Current portion - program loans receivable	13,500	1,143	45,612	840
Interest receivable - Program loans	-	365	5,140	1,123
Interest receivable - Investments	-	12	677	14
Accounts receivable	-	-	-	-
Due from (to) other funds	(1)	-	(252)	48
Other assets	-	63	378	-
Total current assets	14,879	10,341	149,268	12,364
Noncurrent assets:				
Investments	-	-	12,134	-
Program loans receivable	30,305	52,835	949,915	38,243
Due from (to) other funds	-	-	-	-
Deferred financing costs	-	78	4,587	214
Other assets and deferred outflow	-	-	77,629	-
Total Noncurrent assets	30,305	52,913	1,044,265	38,457
Total Assets	$ 45,184	$ 63,254	$ 1,193,533	$ 50,821
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Bonds payable	$ -	$ 725	$ 25,169	$ -
Interest payable	264	1,657	15,972	46
Due to (from) other government entities	-	-	-	-
Compensated absences	-	-	-	-
Deposits and other liabilities	1	3	598	-
Total current liabilities	265	2,385	41,739	46
Noncurrent liabilities:				
Bonds and debenture notes payable	44,922	57,813	969,089	44,450
Due to (from) other government entities	-	-	9,859	-
Other liablities and deferred inflow	-	-	91,131	-
Deferred revenues	-	-	13	-
Total noncurrent liabilities	44,922	57,813	1,070,092	44,450
Total Liabilities	45,187	60,198	1,111,831	44,496
Fund equity				
Invested in capital assets	-	-	-	-
Restricted by indenture	(3)	3,056	81,702	6,325
Restricted by statute	-	-	-	-
Total Fund equity	(3)	3,056	81,702	6,325
Total Liabilities and Fund equity	$ 45,184	$ 63,254	$ 1,193,533	$ 50,821

MULTIFAMILY CONDUITS	AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ -	$ 380,722	$ 382,694
-	-	116,218
-	-	61,095
3	-	6,631
-	-	703
-	-	-
-	-	(205)
-	-	441
3	380,722	567,577
-	-	12,134
12,358	-	1,083,656
-	-	-
-	217	5,096
-	-	77,629
12,358	217	1,178,515
$ 12,361	$ 380,939	$ 1,746,092
$ 963	$ -	$ 26,857
11	192	18,142
-	-	-
-	-	-
-	-	602
974	192	45,601
11,395	380,530	1,508,199
-	-	9,859
-	-	91,131
-	-	13
11,395	380,530	1,609,202
12,369	380,722	1,654,803
-	-	-
(8)	217	91,289
-	-	-
(8)	217	91,289
$ 12,361	$ 380,939	$ 1,746,092

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
MULTIFAMILY PROGRAM
June 30, 2010
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements -- net	$ 3,621	$ 4,302	$ 65,719	$ 2,646
Interest income - Investments -- net	-	49	3,432	51
Increase (decrease) in fair value of investments	-	-	(33)	-
Loan commitment fees	-	-	-	-
Other loan fees	-	-	146	-
Other revenues	-	-	(11,492)	-
Total Operating revenues	3,621	4,351	57,772	2,697
OPERATING EXPENSES				
Interest	3,607	3,992	44,348	748
Amortization of bond discount and bond premium	-	28	770	-
Mortgage servicing fees	-	-	7	-
Provision (reversal) for estimated loan losses	-	(18)	(9,419)	(42)
Operating expenses	-	-	-	-
Other expenses	14	186	26,744	256
Total Operating expenses	3,621	4,188	62,450	962
Operating income (loss) before transfers	-	163	(4,678)	1,735
Transfers (interfund)	-	-	-	-
Transfers (intrafund)	-	-	16,860	487
Increase (decrease) in fund equity	-	163	12,182	2,222
Fund equity at beginning of year, as originally stated	(3)	2,893	72,476	4,103
Cumulative effect of adoption of GASB 53	-	-	(2,956)	-
Fund equity at beginning of year, as restated	(3)	2,893	69,520	4,103
Fund equity at end of year	$ (3)	$ 3,056	$ 81,702	$ 6,325

MULTIFAMILY CONDUITS	AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ 38	$ -	$ 76,326
-	192	3,724
-	-	(33)
-	-	-
-	-	146
-	-	(11,492)
38	192	68,671
46	192	52,933
-	-	798
-	-	7
-	-	(9,479)
-	-	-
-	216	27,416
46	408	71,675
(8)	(216)	(3,004)
-	-	-
-	433	17,780
(8)	217	14,776
-	-	79,469
-	-	(2,956)
-	-	76,513
$ (8)	$ 217	$ 91,289

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENT OF CASH FLOWS -
MULTIFAMILY RENTAL HOUSING PROGRAMS
June 30, 2010
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 3,621	$ 4,306	$ 66,443	$ 2,852
Payments to suppliers	(7)	(17)	(171)	-
Payments to employees	-	-	-	-
Internal activity - payments other funds	-	-	-	-
Other receipts (payments)	13,668	967	106,825	7,107
Net cash provided by (used for) operating activities	17,282	5,256	173,097	9,959
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	-	-	16,860	487
Changes in due to (from) other government entities	-	-	-	-
Net cash provided by noncapital financing activities	-	-	16,860	487
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds and notes payable	-	-	-	-
Payment of bond principal	(13,787)	(675)	(24,295)	-
Early bond redemptions	-	-	(140,255)	(4,775)
Interest paid on debt	(3,724)	(4,010)	(48,778)	(1,707)
Interfund transfers	-	-	-	-
Decrease (increase) in deferred financing costs	-	-	2	-
Net cash provided by (used for) capital and related financing activities	(17,511)	(4,685)	(213,326)	(6,482)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	-	4,842	177,008	5,928
Purchase of investments	-	(5,502)	(158,981)	(10,035)
Interest on investments	-	66	3,742	58
Net cash provided by (used for) investing activities	-	(594)	21,769	(4,049)
Net increase (decrease) in cash and cash equivalents	(229)	(23)	(1,600)	(85)
Cash and cash equivalents at beginning of year	1,609	51	2,155	94
Cash and cash equivalents at end of year	$ 1,380	$ 28	$ 555	$ 9
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ -	$ 163	$ (4,678)	$ 1,735
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	3,607	3,992	44,348	748
Interest on investments	-	(49)	(3,432)	(51)
Changes in fair value of investments	-	-	33	-
Accretion of capital appreciation bonds	-	-	-	-
Amortization of bond discount	-	28	-	-
Amortization of deferred losses	-	-	770	-
Amortization of bond issuance costs	-	6	1,162	33
Amortization of bond premium	-	-	-	-
Amortization of deferred revenue	-	-	-	-
Depreciation	-	-	-	-
Provision (reversal for estimated loan losses	-	(18)	(9,419)	(42)
Provision for yield reduction payments	-	-	(1,751)	-
Provision for nonmortgage investment excess	-	-	(624)	-
Changes in certain assets and liabilities:				
Sale (Purchase) of program loans-net	-	-	62,842	4,766
Collection of principal from program loans - net	13,676	1,133	72,886	2,611
Interest receivable	-	3	724	207
Accounts receivable	-	-	-	-
Due from (to) other funds	-	-	8	(48)
Other assets and deferred outflow	-	(2)	(77,596)	-
Compensated absences	-	-	-	-
Deposits and other liab	(1)	-	(351)	-
Other liabilities and deferred inflow	-	-	88,175	-
Net cash provided by (used for) operating activities	$ 17,282	$ 5,256	$ 173,097	$ 9,959

MULTIFAMILY CONDUITS	AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ 36	$ -	$ 77,258
-	-	(195)
-	-	-
-	-	-
(1,775)	-	126,792
(1,739)	-	203,855
-	433	17,780
-	-	-
-	433	17,780
1,413	380,530	381,943
-	-	(38,757)
-	-	(145,030)
(38)	-	(58,257)
-	-	-
-	(433)	(431)
1,375	380,097	139,468
-	-	187,778
-	-	(174,518)
-	192	4,058
-	192	17,318
(364)	380,722	378,421
364	-	4,273
$ -	$ 380,722	$ 382,694
$ (8)	$ (216)	$ (3,004)
46	192	52,933
-	(192)	(3,724)
-	-	33
-	-	-
-	-	28
-	-	770
-	216	1,417
-	-	-
-	-	-
-	-	-
-	-	(9,479)
-	-	(1,751)
-	-	(624)
(1,775)	-	65,833
-	-	90,306
(2)	-	932
-	-	-
-	-	(40)
-	-	(77,598)
-	-	-
-	-	(352)
-	-	88,175
$ (1,739)	$ -	$ 203,855

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL BALANCE SHEET
OTHER PROGRAMS AND ACCOUNTS
June 30, 2010
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
ASSETS				
Current assets:				
Cash and cash equivalents	$ 13,986	$ 1,020	$ -	$ 1
Investments	144,843	416,974	81,541	32,159
Current portion - program loans receivable	47,762	70	-	-
Interest receivable - Program loans	1,022	3,145	-	-
Interest receivable - Investments	228	616	116	56
Accounts receivable	1,219	-	-	69
Due from (to) other funds	(280,295)	(1,528)	22,362	12,281
Other assets	23	-	-	-
Total current assets	(71,212)	420,297	104,019	44,566
Noncurrent assets:				
Investments	562	-	-	-
Program loans receivable	268,563	207,123	-	-
Due from (to) other funds	-	-	-	-
Deferred financing costs	-	-	-	-
Other assets and deferred outflow	156	-	-	-
Total Noncurrent assets	269,281	207,123	-	-
Total Assets	$ 198,069	$ 627,420	$ 104,019	$ 44,566
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Bonds payable	$ -	$ -	$ -	$ -
Interest payable	-	-	-	-
Due to (from) other government entities	5	685	(43)	-
Compensated absences	-	-	-	-
Deposits and other liabilities	44	5,935	78,588	-
Total current liabilities	49	6,620	78,545	-
Noncurrent liabilities:				
Bonds and debenture notes payable	-	-	-	-
Due to (from) other government entities	547	-	-	-
Other liabilities and deferred inflow	-	-	-	-
Deferred revenues	(4,758)	-	-	-
Total noncurrent liabilities	(4,211)	-	-	-
Total Liabilities	(4,162)	6,620	78,545	-
Fund equity				
Invested in capital assets	-	-	-	-
Restricted by indenture	-	-	-	-
Restricted by statute	202,231	620,800	25,474	44,566
Total Fund equity	202,231	620,800	25,474	44,566
Total Liabilities and Fund equity	$ 198,069	$ 627,420	$ 104,019	$ 44,566

LOAN SERVICING	LOAN WAREHOUSING	HOMEOWNERSHIP SECONDARY MARKETING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ 31,206	$ 9,325	$ 79	$ 101	$ 1,424	$ 57,142
157,676	29,263	-	-	11,111	873,567
-	52,966	-	2,642	-	103,440
-	364	-	493	-	5,024
218	200	-	-	22	1,456
6,495	26	-	-	493	8,302
(7,132)	(12,379)	(50)	(80)	310,146	43,325
-	33,420	-	-	56	33,499
188,463	113,185	29	3,156	323,252	1,125,755
-	42,857	-	-	-	43,419
-	33,237	-	88,792	-	597,715
-	-	-	-	-	-
-	-	-	-	20	20
-	196	-	-	215,999	216,351
-	76,290	-	88,792	216,019	857,505
$ 188,463	$ 189,475	29	91,948	$ 539,271	$ 1,983,260
$ -	$ -	$ -	$ -	$ -	$ -
-	172	-	508	43,441	44,121
43	90,000	-	-	7,119	97,809
-	-	-	-	4,358	4,358
168,736	88,630	-	-	4,978	346,911
168,779	178,802	-	508	59,896	493,199
-	-	-	93,854	-	93,854
-	-	-	-	-	547
-	-	-	-	250,885	250,885
-	53	-	-	26,445	21,740
-	53	-	93,854	277,330	367,026
168,779	178,855	-	94,362	337,226	860,225
-	-	-	-	866	866
-	-	-	-	-	-
19,684	10,620	29	(2,414)	201,179	1,122,169
19,684	10,620	29	(2,414)	202,045	1,123,035
$ 188,463	$ 189,475	$ 29	$ 91,948	$ 539,271	$ 1,983,260

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
OTHER PROGRAMS AND ACCOUNTS
June 30, 2010
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements -- net	$ 17,435	$ 3,251	$ -	$ -
Interest income - Investments -- net	963	2,896	675	727
Increase (decrease) in fair value of investments	14	-	-	-
Loan commitment fees	-	-	-	-
Other loan fees	213	-	-	-
Other revenues	4,094	8,708	-	-
Total Operating revenues	22,719	14,855	675	727
OPERATING EXPENSES				
Interest	267	-	-	-
Amortization of bond discount and bond premium	-	-	-	-
Mortgage servicing fees	45	-	-	-
Provision (reversal) for estimated loan losses	(2,138)	17,291	-	-
Operating expenses	-	-	-	-
Other expenses	34	36,217	41,717	-
Total Operating expenses	(1,792)	53,508	41,717	-
Operating income (loss) before transfers	24,511	(38,653)	(41,042)	727
Transfers (interfund)	-	14,350	-	-
Transfers (intrafund)	(246,651)	-	41,000	(40,995)
Increase (decrease) in fund equity	(222,140)	(24,303)	(42)	(40,268)
Fund equity at beginning of year, as originally stated	424,371	645,103	25,516	84,834
Cumulative effect of adoption of GASB 53	-	-	-	-
Fund equity at beginning of year, as restated	424,371	645,103	25,516	84,834
Fund equity at end of year	$ 202,231	$ 620,800	$ 25,474	$ 44,566

LOAN SERVICING	LOAN WAREHOUSING	HOMEOWNERSHIP SECONDARY MARKETING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ -	$ 2,022	$ -	$ -	$ -	$ 22,708
(10)	5,713	-	-	216	11,180
-	1,301	-	-	-	1,315
-	-	-	-	1,108	1,108
7,186	3	-	-	20,297	27,699
71,782	-	35	-	(28,019)	56,600
78,958	9,039	35	-	(6,398)	120,610
-	2,142	-	-	93,312	95,721
-	-	-	-	-	-
-	149	-	-	-	194
-	3,714	-	2,414	-	21,281
-	-	-	-	42,536	42,536
73,819	390	6	-	24,932	177,115
73,819	6,395	6	2,414	160,780	336,847
5,139	2,644	29	(2,414)	(167,178)	(216,237)
-	-	-	-	-	14,350
-	(98)	-	-	374,979	128,235
5,139	2,546	29	(2,414)	207,801	(73,652)
14,545	8,074	-	-	10,585	1,213,028
-	-	-	-	(16,341)	(16,341)
14,545	8,074	-	-	(5,756)	1,196,687
$ 19,684	$ 10,620	$ 29	$ (2,414)	$ 202,045	$ 1,123,035

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENT OF CASH FLOWS -
OTHER PROGRAMS AND ACCOUNTS
June 30, 2010
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 17,293	$ 803	$ -	$ -
Payments to suppliers	(34)	-	-	-
Payments to employees	-	-	-	-
Internal activity - payments other funds	-	-	-	-
Other receipts (payments)	212,781	(66,434)	(39,994)	2,324
Net cash provided by (used for) operating activities	230,040	(65,631)	(39,994)	2,324
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	(246,651)	-	41,000	(40,995)
Due to (from) other government entities	-	-	(2,526)	-
Net cash provided by (used for) noncapital financing activities	(246,651)	-	38,474	(40,995)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds and notes payable	-	-	-	-
Payment of bond principal	-	-	-	-
Early bond redemptions	(23,134)	-	-	-
Interest paid on debt	(464)	-	-	-
Interfund transfers	-	14,350	-	-
(Additions) decductions to deferred financing costs	-	-	-	-
Net cash provided by (used for) capital and related financing activities	(23,598)	14,350	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	402,919	95,421	96,666	189,938
Purchase of investments	(408,146)	(49,124)	(95,856)	(152,202)
Interest on investments - net	1,550	3,977	710	935
Net cash provided by (used for) investing activities	(3,677)	50,274	1,520	38,671
Net increase (decrease) in cash and cash equivalents	(43,886)	(1,007)	-	-
Cash and cash equivalents at beginning of year	57,872	2,027	-	1
Cash and cash equivalents at end of year	$ 13,986	$ 1,020	$ -	$ 1
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ 24,511	$ (38,653)	$ (41,042)	$ 727
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	267	-	-	-
Interest on investments	(963)	(2,896)	(675)	(727)
Changes in fair value of investments	(14)	-	-	-
Accretion of capital appreciation bonds	-	-	-	-
Amortization of bond discount	-	-	-	-
Amortization of deferred losses	-	-	-	-
Amortization of bond issuance costs	-	-	-	-
Amortization of bond premium	-	-	-	-
Amortization of deferred revenue	-	-	-	-
Depreciation	-	-	-	-
Provision (reversal for estimated loan losses	(2,138)	17,291	-	-
Provision for yield reduction payments	-	-	-	-
Provision for nonmortgage investment excess	548	-	-	-
Changes in certain assets and liabilities:				
Sale (Purchase) of program loans-net	(659,046)	(41,223)	-	-
Collection of principal from program loans - net	672,786	6,615	-	-
Interest receivable	(141)	(2,448)	-	-
Accounts receivable	(1,199)	-	-	-
Due from (to) other funds	200,148	(2,573)	3,268	2,324
Other assets and deferred outflow	-	-	-	-
Compensated absences	-	-	-	-
Deposits and other liab	39	(1,744)	(1,545)	-
Other liabilities and deferred inflow	(4,758)	-	-	-
Net cash provided by (used for) operating activities	$ 230,040	$ (65,631)	$ (39,994)	$ 2,324

LOAN SERVICING	LOAN WAREHOUSING	HOMEOWNERSHIP SECONDARY MARKETING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ -	$ 2,419	$ -	$ (494)	$ -	$ 20,021
-	(154)	-	-	(16,696)	(16,884)
-	-	-	-	(26,045)	(26,045)
-	-	-	-	-	-
14,525	50,290	29	(93,767)	(269,406)	(189,652)
14,525	52,555	29	(94,261)	(312,147)	(212,560)
-	(98)	-	-	374,979	128,235
43	(160,000)	-	-	2,821	(159,662)
43	(160,098)	-	-	377,800	(31,427)
-	-	-	94,432	-	94,432
-	-	-	(578)	-	(578)
-	-	-	-	-	(23,134)
-	(3,267)	-	508	(102,855)	(106,078)
-	-	-	-	-	14,350
-	-	-	-	-	-
-	(3,267)	-	94,362	(102,855)	(21,008)
41,280	237,024	-	-	30,005,567	31,068,815
(56,676)	(131,899)	-	-	(29,967,780)	(30,861,683)
308	6,191	-	-	392	14,063
(15,088)	111,316	-	-	38,179	221,195
(520)	506	29	101	977	(43,800)
31,726	8,819	50	-	447	100,942
$ 31,206	$ 9,325	$ 79	$ 101	$ 1,424	$ 57,142
$ 5,139	$ 2,644	$ 29	$ (2,414)	$ (167,178)	(216,237)
					-
					-
-	2,142	-	-	93,312	95,721
10	(5,713)	-	-	(216)	(11,180)
-	(1,301)	-	-	-	(1,315)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	10	10
-	-	-	-	-	-
-	-	-	-	(1,108)	(1,108)
-	-	-	-	218	218
-	3,714	-	2,414	-	21,281
-	-	-	-	-	-
-	-	-	-	-	548
				-	
-	(10,703)	-	(94,431)	-	(805,403)
-	11,574	-	584	-	691,559
-	397	-	(494)	-	(2,686)
174	20	-	-	(461)	(1,466)
247	28,796	-	80	(252,140)	(19,850)
-	(33,420)	-	-	(215,399)	(248,819)
-	-	-	-	2,041	2,041
8,955	54,422	-	-	(5,686)	54,441
-	(17)	-	-	234,460	229,685
$ 14,525	$ 52,555	$ 29	$ (94,261)	$ (312,147)	$ (212,560)